

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON NATURAL RESOURCES, AGRICULTURE, AND
MINING**

**Seventy-Fourth Session
March 19, 2007**

The Committee on Natural Resources, Agriculture, and Mining was called to order by Chair Jerry D. Claborn at 1:37 p.m., on Monday, March 19, 2007, in Room 3161 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/74th/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblyman Jerry D. Claborn, Chair
Assemblyman Joseph Hogan, Vice Chair
Assemblyman Kelvin Atkinson
Assemblyman David Bobzien
Assemblyman John C. Carpenter
Assemblyman Pete Goicoechea
Assemblyman Tom Grady
Assemblyman Ruben Kihuen
Assemblyman John W. Marvel
Assemblyman James Ohrenschall
Assemblywoman Debbie Smith

STAFF MEMBERS PRESENT:

Jennifer Ruedy, Committee Policy Analyst
Randy Stephenson, Committee Counsel
Sherrada Fielder, Committee Secretary
Matt Mowbray, Committee Assistant



OTHERS PRESENT:

Allen Biaggi, Director, State Department of Conservation and Natural Resources

Steve Robinson, Deputy Chief of Staff, Office of the Governor

Kyle Davis, Policy Director, Nevada Conservation League

Leo Drozdoff, Administrator, Division of Environmental Protection, State Department of Conservation and Natural Resources

Jan Gilbert, Northern Nevada Coordinator, Progressive Leadership Alliance of Nevada

Peter Kruger, representing Nevada Petroleum Marketers & Convenience Store Association

Irene Porter, Executive Director, Southern Nevada Home Builders Association

Rick Gimlin, Deputy Director, State Department of Agriculture

John O'Brien, Administrator, Division of Plant Industry, State Department of Agriculture

Lee M. Lawrence, Agriculturist IV, Pest Control Licensing and Regulation, State Department of Agriculture

Jenny Welsh, Government Affairs Director, Carrara Nevada; and representing Nevada Association of Realtors

Tom Fry, President, National Ocean Industries Association, Washington, D.C.

Chair Claborn:

[Called the meeting to order. Opened the hearing on Assembly Bill 217.]

Assembly Bill 217: Revises the membership of the State Environmental Commission. (BDR 40-1196)

Assemblyman David P. Bobzien, Washoe County Assembly District No. 24:

Assembly Bill 217 revises the membership of the State Environmental Commission (SEC). In your packet is a copy of my presentation ([Exhibit C](#)) as well as a sample agenda ([Exhibit D](#)) from one of the State Environmental Commission's recent meetings.

The State Environmental Commission is defined under *Nevada Revised Statutes* (NRS) 445B.200 and acts on petitions proposed by the Nevada Division of Environmental Protection (NDEP). Mr. Drozdoff, who is the Administrator for NDEP, is here as well, and can provide comments if needed.

Essentially, the Commission is responsible for regulatory and policy matters related to environmental issues in the state. The current membership is shown

in the presentation. There are six members from various agencies of the State of Nevada dealing with this particular area. It is important to have their perspectives on the Commission. If you are familiar with adding a conservation seat to the Environmental Commission from previous legislative sessions, some of the reconfiguration proposals are what caused some drag on this idea in recent sessions. I felt it was necessary to consult with the agencies to ensure their perspective was preserved, particularly, for instance, the State Forester Firewarden, given all the wildland fire activity in Nevada in recent years. It is important for them to be on the Commission. In addition to the six members who represent State agencies, we have five members appointed by the Governor. One of these members has mining reclamation expertise; one is from the general engineering and building contractor area; and the other remaining at-large seats are just that, at-large seats.

What A.B. 217 would do is take one of the three remaining at-large seats and create a seat, appointed by the Governor, which would be filled by someone who had expertise in advocating issues relating to conservation.

Why is this needed? The SEC deals with complex issues that impact the lives of Nevadans, and it is my belief creating a conservation seat would provide a new perspective that will assist the SEC in making quality decisions.

Assemblyman Carpenter:

What is your description of a conservation member? What field of work would they be in? What viewpoint would they represent?

Assemblyman Bobzien:

The definition of conservation can be broad. The traditional definition is conserving natural resources for their use, enjoyment, and long-term perpetuation. I think all those concepts come together in defining what conservation is. The job would be specific to someone who has experience in advocating issues related to conservation. I envision a pretty broad umbrella as far as the people who would qualify for this. You can have someone from the Nevada Conservation League, or someone who more fits the role of a traditional sportsman conservationist, like someone from Ducks Unlimited. They would be examples of those having experience advocating conservation issues.

Assemblyman Carpenter:

The person could even be a cowboy.

Assemblyman Bobzien:

I have certainly met many cowboys with a conservation mindset.

Assemblyman Ohrenschall:

Are there other boards that also have a conservation seat in Nevada government?

Assemblyman Bobzien:

Yes, the Board of Wildlife Commissioners also has a conservation seat.

Chair Claborn:

Are there any term limits in the bill?

Assemblyman Bobzien:

There are no term limits in my legislation. Maybe Mr. Robinson or someone else can define what the current term limits are, but I do not think there are any.

Chair Claborn:

Any more questions from the Committee? [There were none.]

Allen Biaggi, Director, State Department of Conservation and Natural Resources:

[Written testimony provided ([Exhibit E](#)).] I am here today to support modifying the composition of the State Environmental Commission as proposed by A.B. 217.

You have heard Assemblyman Bobzien very clearly outline the provisions of the bill. The Nevada Division of Environmental Protection put forward a similar bill in the 2005 Session. Unfortunately, A.B. No. 25 of the 73rd Legislative Session was unsuccessful and never made it out of committee.

As you know, the State Environmental Commission includes six members who are specifically designated by statute based on their position in state government, and five members appointed by the Governor. Of the five appointees, one must be an expert in mining reclamation and one must be a general building or engineering contractor. The remaining three commissioners represent the public at large. This bill would specify that one of the three at-large commissioners must have experience advocating for conservation issues.

This change would serve to balance the representation of interests on the commission and enhance the diversity of viewpoints that help make the Commission a fair and effective public institution. This is important because the responsibilities of the Commission cover a wide spectrum of issues and concerns relating to the protection of human health and to the environment. We ask for your support of A.B. 217.

Assemblyman Carpenter:

Will the terms of the members the Governor appoints expire on July 1, 2007?

Allen Biaggi:

I do not believe so. Recently, the Commission appointment of Lew Dodgion was going to expire. Mr. Dodgion was the former administrator of NDEP. Governor Gibbons has appointed Mr. Dodgion for another term and also has appointed him as the chairman. Mel Close was the former chairman and has been on the SEC since the 1980s.

Assemblyman Carpenter:

Who would have to step down? From reading this, it says as soon as practicable after July 1, 2007, the Governor will appoint someone. A current member would have to step down in order for him to add a new member unless someone currently on the Commission fits the proposed conservationist qualifications.

Allen Biaggi:

I believe one way to interpret it would be that the next at-large or general public member who resigned—their vacant seat on the Commission would be eligible for the conditions of this bill. The next member would be appointed accordingly.

Assemblyman Carpenter:

It says as soon as practical. This could go on for some time. For how many years are they appointed?

Allen Biaggi:

It could be up to three years.

Chair Claborn:

Any more questions for Allen Biaggi? [There were none.]

Steve Robinson, Deputy Chief of Staff, Office of the Governor:

Two years ago, I was here representing Governor Guinn, expressing several concerns over A.B. No. 25 of the 73rd Legislative Session. One of those concerns was taking a member off of the Commission, namely the State Forester Firewarden. We strongly believed professional agency heads should be on the Commission. The second concern with the previous legislation was its taking away of the discretion of the Governor. Assembly Bill 217 does not bring up those issues or those particular problems—it, in fact, addresses them. Governor Gibbons thinks the appointment of a conservationist on the Commission is the proper thing to do, and now is the time to do it. The way the language is written retains the Governor's discretion in how that appointment

would be made, including, in deference to Mr. Carpenter, a cowboy as a possibility.

Assemblyman Marvel:

Is it a possibility or probability?

Steve Robinson:

With this Governor, Mr. Marvel, it is a strong possibility.

Kyle Davis, Policy Director, Nevada Conservation League:

Our perspective on this bill is that we are in support of it. We think it is important to add someone to the Environmental Commission who has experience on issues relating to conservation. It is nice to have a fresh perspective as part of that body as the issues of conservation become more and more important in our state.

Leo Drozdoff, Administrator, Division of Environmental Protection, State Department of Conservation and Natural Resources:

Mr. Biaggi and Mr. Robinson covered our items and we will go on record in support of the bill.

Jan Gilbert, Northern Nevada Coordinator, Progressive Leadership Alliance of Nevada:

I go on record in support of this bill.

Peter Kruger, representing Nevada Petroleum Marketers & Convenience Store Association:

Our group strongly supports this bill and feels it is the right thing to do. Our members, at times, appear before the Environmental Commission and find it to be an effective vehicle to air concerns or interests of the petroleum industry.

Irene Porter, Executive Director, Southern Nevada Home Builders Association:

We are not opposed to the bill. If the Committee decides there needs to be another person with conservation experience on the Commission, we certainly do not have a problem with that. I say "another person" because if you take a look at the current composition of the Commission, especially with the state agency heads such as the Director of the Department of Wildlife, the State Forester, the State Engineer, the Director of the Nevada Department of Agriculture, and the Administrator of the Division of Minerals—they all have long conservation backgrounds and knowledge of conservation and mining issues. In addition to those commissioners, you also have Lew Dodgion, the former head of NDEP. Mel Close has a long record of conservation efforts, as well. In addition to those members, there is a representative from the mining

industry on the Commission. Mining reclamation has done a lot for conservation in Nevada. In fact, even the general building contractor representative, Harry Shull, of Desert Wind Homes, represents those who have done a lot. Contractors have spent \$100 million on endangered species in southern Nevada. They are implementing Water Smart builders' programs and addressing other environmental issues. So, the contractors have an environmental perspective.

If you put an additional person on the Commission advocating conservation issues, then perhaps you should also take a close look at the State department heads. Maybe they should not be on the Commission since they promulgate laws that govern their own agencies. I would use an analogy here. I do not vote as a board member of the Southern Nevada Home Builders Association (SNHBA) Board of Directors or the State Association because I am a staff person and serve as an ex-officio member—to bring the perspectives of the staff. As another example, the Director of the Legislative Counsel Bureau (LCB), Lorne Malkiewich, does not serve as a member of this body in a voting capacity because he is not an elected official. But that brings into question whether the people promulgating certain regulations should vote on the same regulations, or should they more appropriately be an ex-officio person, advising the Commission. If they advised and did not vote, then bring in the person representing the perspective of the private sector on conservation. This is not stating opposition to the bill but in opposition of not recognizing these issues and knowing other things should be changed as well.

Chair Claborn:

Any questions of Ms. Porter? [There were none.]

[Closes hearing on Assembly Bill 217.]

[Opens hearing on Assembly Bill 228.]

Assembly Bill 228: Revises provisions governing licenses to engage in pest control. (BDR 49-626)

Rick Gimlin, Deputy Director, State Department of Agriculture:

We would like to discuss Assembly Bill 228. To do that, I have with me John O'Brien, Administrator of Plant Industry, and Lee Lawrence, who runs our Pesticide Control Licensing Program.

John O'Brien, Administrator, Division of Plant Industry, State Department of Agriculture:

This bill has three main portions. Firstly, it will give the Director of the Department authorization to refuse a license to certain applicants who have

been convicted of certain crimes. In addition, similarly it will prohibit licensing during the period when an applicant is on parole and probation for previous offenses. The third aspect relates to a penalty for altering inspection reports, particularly wood-destroying-pest inspection reports.

Briefly, the program we run may license about 500 pest control companies by the end of this year. There are 1,400 people who are licensed as pesticide applicators or principles, the principles being the main people in a company. Some of the characteristics of this industry provide pest control technicians opportunities to violate the trust of the people who may have hired them. They frequently do work inside people's homes, inside their businesses, and they use pesticides that can be harmful if not used correctly. They can also apply these in any part of the house. Restaurants have pest control companies treating in the kitchen and around the food areas. This makes it important to use the appropriate chemical labeled for that area and to use it correctly. In terms of homes, there is an opportunity for them to "case the joint," or check out what is available in a home to potentially come back to later, to burglarize the home or steal something when they are in the home performing the work. It is not uncommon for homeowners to actually leave because they do not like the pesticides. They will go to the store while the home is being treated. These opportunities arise.

Chair Claborn:

How do people get the license? Do they make application with the State Department of Agriculture?

John O'Brien:

Yes, they do.

Chair Claborn:

As we get into this bill, it sounds as if it should have been submitted to the Assembly Committee on Judiciary rather than Natural Resources. It is confusing to me. I will let you continue, however.

John O'Brien:

We have the licensing program.

Chair Claborn:

I understand, but when we get into forgery, embezzlement and other crimes, this Committee does not have jurisdiction over that. We will take your testimony today, but this measure might be referred to the Judiciary Committee. I will turn this into the Leadership to see if we need to rerefer this. It may have its place here, but so far it looks like it does not.

John O'Brien:

Basically, these are the main points of the bill and why it is before you. It is a protection for the homeowners and also for the pest control industry; it is a way to "weed out" people they would not want to employ. There are no guarantees. We have strict testing protocol for licensing. Actually, it is one of the most difficult in the country and the industry wants it that way. Maybe in keeping with that tradition, the idea of the bill is to help the industry better look into their hiring practices and to add protection for the homeowner against who is coming into their house and applying dangerous chemicals.

Assemblyman Ohrenschall:

Is there anything in law now prohibiting a pest control business from asking a potential employee if they were in prison or guilty of a crime? Is there anything that prevents them from not hiring them if they choose not to hire them?

John O'Brien:

No, there is nothing that prohibits that.

Assemblyman Goicoechea:

Would this apply to a licensed applicator like you see in agriculture?

John O'Brien:

In terms of restricted use pesticide applications, no. This would be for people actually licensed to do business for hire and to do pesticides. There is a similar program the Department has that deals with applying a particular category of pesticides that are more hazardous than general pesticide. Quite often in the rural areas we have growers and agriculture producers that will get certified to apply these restricted compounds that they need for their crops. This does not apply to that.

I have a letter from the Nevada Pest Control Association. They are in support of this bill ([Exhibit F](#)). They look forward to going to workshops and hearings to work out the procedures and policies we would use for our licensing.

Assemblyman Goicoechea:

Are you going to bring forward in the *Nevada Administrative Code* (NAC) a plan on how the Department of Agriculture is going to structure this?

John O'Brien:

Yes, that was the intent. We need to develop more policy and procedures on how we would implement this bill.

Lee M. Lawrence, Agriculturist IV, Pest Control Licensing and Regulation, State Department of Agriculture:

There is a third part to this bill, regarding wood-destroying-pest reporting. In Nevada and other states, when people purchase homes, they will have a wood-destroying-pest inspection report, or what is called a termite report. Section 3 deals with the Department's efforts to keep unscrupulous people from fabricating these reports. We have had issues in the past where we have come across certain entities that will alter or create the reports and, essentially, we have no authority over them within this chapter of *Nevada Revised Statutes* (NRS). We have had to enlist the help of the Nevada Real Estate Commission, which has been a great help in this matter. We would like approval to be able to see this portion of law go through, so we can have some oversight on this.

Assemblyman Goicoechea:

As I understand it, we are requesting the authority to be placed in statute, and then the Department can decide how they are going to implement it and place the procedure in the NAC. Instead, would it be better to place the exclusions outlined in the bill language into the NAC and give the Director the authority through the NAC and regulatory process, so he can move ahead to where you want to go with this? Once you put it into statute, it is in there.

Lee Lawrence:

I understand exactly what you mean. We need the ability to keep unscrupulous people from fabricating pest inspection reports, so the approach was to put provisions in statute to give us the ability and authority to do so, similar to how the Real Estate Division works.

Assemblyman Goicoechea:

What division is that?

Lee Lawrence:

The Real Estate Division is part of the Department of Business and Industry.

Assemblyman Goicoechea:

Realistically, if you look at Section 1(a), it says "may" so there is flexibility there in terms of regulating submitted inspection reports.

Chair Claborn:

Any questions?

Assemblyman Ohrenschall:

In the NRS, are there many other professional licenses that we deny to people because of a past conviction?

Randy Stephenson, Committee Counsel:

I am not aware of many that have an expressed provision like this, but there is no reason they cannot impose that kind of restriction. These are all crimes, as they pointed out, involving some kind of moral turpitude, such as embezzlement and larceny. If you wanted to simply do this through the NAC, you would have to have something in statute right now, directly discussing this point to authorize them to adopt those regulations. It would be very helpful.

Assemblyman Hogan:

I want to review the different outcomes we have in Section 1 regarding licensing. In the first instance, it is discretionary with the Director who "may refuse to issue." In the second instance, there is a series of serious crimes which a person has committed. There is no limit on the length of time. We could be looking at a person convicted of a crime in his early youth and then we are looking at the person applying for a license much later. Since granting the license is discretionary and it has been a long time and the person has had exemplary behavior since then, we have authority to grant the license if it is an appropriate case. In Subsection 2, there is a ten-year limit. If a suspension or revocation took place less than ten years ago, then is that grounds for refusal to issue a license? Do you interpret the language like that? Is that discretionary with the Director? There are grounds for denial of a license, but you may decide to grant one?

John O'Brien:

Yes, that is how we interpret it. It is a ten-year window. You do not want to go back forever, and ten years seemed like a fairly significant time but hopefully not too long.

Chair Claborn:

This is complicated. This is probably going to go to a subcommittee. It is an unusual situation. We will hear the remaining testimony on this.

John O'Brien:

That is all the testimony we have.

Assemblyman Carpenter:

How do you find out if someone in a foreign country has been convicted of a crime? Do you have ways to check on this?

John O'Brien:

We would have to do some research if a foreign country was involved. Most of our applicants are from Nevada or other states. That is obviously something we would have to look into should it come up. I suspect that could be very

inconsistent depending on what country you are talking about and how easily you can access information. We would have to look into that.

Assemblyman Hogan:

If we, in work session, become concerned with the foreign origination of a license suspension or a conviction, can I correctly assume it would not be too much of a problem to delete that aspect? Is there some benefit for having it there in case a clear case comes up?

John O'Brien:

I do not think so, but Lee Lawrence may be able to address that.

Lee Lawrence:

Actually, we get very few applications for foreign applicants so it would not be a problem.

Jenny Welsh, Government Affairs Director, Carrara Nevada; and representing the Nevada Association of Realtors:

We are in support of this bill.

Chair Claborn:

Any questions. [There were none.] Anyone else for or against A.B. 228? [There were none.]

[Closes hearing on Assembly Bill 228.]

We will now have a presentation from Tom Fry and Jeff Krouse regarding a bill draft request sent over from the Senate (BDR R-1355 which was later introduced as Senate Joint Resolution 8.) We had hoped to hold a joint meeting on this, but we were not able to.

Tom Fry, President, National Ocean Industries Association, Washington, D.C.:

This is my associate, Mr. Jeff Krouse. We will be meeting with the Senate after this meeting. The reason I am here is to talk to you about the Federal Offshore. These are lands that belong to the American public. I would like to provide some basic facts about energy and the National Ocean Industries Association (NOIA). We represent all the companies who are involved in offshore energy development including oil and gas, wind and wave development. We represent producers and drilling companies as well as air support and other activities as it relates to the Federal Offshore. We have become aware of some basic facts about energy. We all know the price of energy is going up. Prices have increased by 74 percent from 2000 to 2006. We are going to need more

energy. We are going to have to become 30 percent more efficient in our use of energy over the next two decades in order to meet our needs.

[Provides PowerPoint presentation ([Exhibit G](#)).]

We ask why is that occurring. This is a chart prepared by the National Petroleum Counsel, which advises the Secretary of Energy. It shows current consumption of petroleum and what we will use all the way to 2020. You also see the domestic supply line, which is almost flat. For natural gas, that supply line will have even a steeper curve based on current production. This will give you some idea on why prices are going up. Below the oil consumption data, you see the demand for natural gas. Natural gas has to come from this hemisphere. We do not import it from foreign countries other than Canada and Mexico. It has to come from this hemisphere with the small exception of a small amount of liquefied natural gas.

Now to give context to natural gas demand by regions, these are projections of how much additional natural gas each of the regions of the country are going to use. It is important to note that in every sector in the country there is going to be an increase in use, in some areas as much as 98 percent between now and 2015. Why so much in Florida? They are building all sorts of natural gas-powered generator plants. All over the country, the use of natural gas is going up.

Renewable energy is going to play a large part in meeting demand. We are going to have other kinds of renewable energy and they are part of the answer, but those resources alone will only meet 3 percent of the demand by 2025. Hydroelectric power will take care of about 5 percent. There is a place where we can get additional energy. It is in the Outer Continental Shelf (OCS). Most of these areas are off-limits. You cannot go get it. Eighty percent of all the lands in the offshore are set aside by Presidential or Congressional Moratorium. These are lands which belong to all the American people. They belong not to just the people of Louisiana, but they belong to the people of Nevada, Idaho, and Iowa. They have been banned from use, however. When people talk about the offshore, it is oftentimes about the environment. This next slide shows a survey done by the National Academy of Sciences. The largest part of the chart shows the amount of natural gas that seeps out of the ground at the bottom of the ocean. Sometimes you will see oil on the beaches in California—that is from natural seeps. It comes out of the ground naturally. That is how, oftentimes, we know it is there in the first place. That is why you have the La Brea Tar Pits in Los Angeles. Sixty three percent of the oil which is in the ocean comes from natural seeps. Of the remaining one-third, 66 percent comes from what human beings do when we put motor oil in our car

and let it run down the drain and it goes out to the sea. It is when we use boats on the ocean and on lakes and go down the river. This is human activity. It may be from shipping, though not from spills. Less than 1 percent of the oil in the sea comes from drilling or and extraction. There is a success rate of 99.9 percent.

Chair Claborn:

Is methane gas the same as natural gas?

Tom Fry:

It is ultimately natural gas. It is captured in the ground, in a different way. It is in a frozen state. You can find it in the tundra in Alaska. It is a question of temperature and pressure as to where it is found. You will find it all around the Outer Continental Shelf at certain depths.

Chair Claborn:

I worked in California on a Feather River Project. We were driving a tunnel from one mountain to the other in Los Angeles and we hit a pocket of methane that blew up and killed some people there. Was that methane or natural gas?

Tom Fry:

It could have been either. With methane you also have coal bed methane gas, which is the gas that is trapped in coal. That is another kind.

Chair Claborn:

The methane was trapped in the coal and the gas that exploded in California was methane. It was not coal at all but it was methane.

Tom Fry:

We have had a good success rate against hurricanes. Hurricane Katrina and Rita came through the Gulf of Mexico and we had no significant oil spills during those events. The technological improvements are dramatic. You have blowout preventors, which are redundant throughout the system, in the event of anything happening. They stop oil from leaking anywhere. If you look at this picture, you can see a drilling platform that is floating. It is not touching the ocean floor. It is drilling wells down into the crust of the earth.

This slide shows how much public input goes into the process of a leasing program. You have pre-leasing and post-leasing. States and the public have opportunities to comment on the leasing programs.

When we get to actual exploration and production, this really is the next "great" technology, much like what happened with the space exploration program in the

1980s. You have places where companies will sit in rooms with four walls, and they can literally feel like they are in the middle of the earth. They can look at the different strata and drill wells from Houston to New Orleans or anywhere in the world. It allows you to use your best geologists and engineers in one room looking at everything you are drilling, all around the world. By this graph, you can see that you do not drill straight down anymore, you drill out six or seven miles in different directions to try to capture more hydrocarbons.

Chair Claborn:

Is that what you call directional drilling?

Tom Fry:

Yes, it is. In terms of production, what you will notice in this slide is a floating production platform. Down on the bottom of the ocean are different wells. Previously, you would drill straight down and then you would drill out. Today, multiple wells can be drilled in different places that can "tieback" to a central location as far as 50 miles away. This is incredible technology that is out there on the offshore. If you look at what is offshore of California, currently, with the thirteen or so platforms they have, drilling could be done with just one or two platforms instead, just by using current technology.

We have a lot of oil and natural gas in the Federal Offshore. This map by the Minerals Management Service (MMS) reflects the amount of recoverable oil and gas resources that are available. Most importantly, when you look at the Gulf of Mexico and the 44 billion barrels and the 232 trillion cubic feet of natural gas available, those amounts were significantly smaller when we first began drilling. We really do not know what is off the other coast because we have not explored there.

Chair Claborn:

I noticed you do not have Baja, Mexico on that slide. It is my understanding that off the point of Baja there are many deposits of oil. Is that correct? You hear that the Mexican waters in the Pacific Ocean have lots of oil.

Tom Fry:

I do not know that, but I have heard that. If you look at the Gulf of Mexico, half of it belongs to the Mexican government and they have found oil there.

I want to point out a few Nevada energy facts. Obviously, it is one of the fastest-growing states in the union. Thirty percent of Nevadan's energy needs are used for transportation; the rest goes towards manufacturing and mining and other types of activities. The point is that prices have been going up. This affects the cost of fertilizer because natural gas is the major feed stock.

It also affects transportation, farmers and ranchers, rural businesses, hospitals and educational institutions.

We think there is an opportunity here to do everything that needs to be done. This includes developing renewable energy, geothermal, wind, and wave. We also need to look at the offshore. Another way that Nevada already benefits from the offshore program is through the State's portion of the Land and Water Conservation Fund (LWCF). This fund, if funded completely every year by Congress, totals to almost \$900 million. There are a number of grants that have gone to the counties. These grants are a little more different than the "stateside" federal portion of the LWCF. State distributed money has gone for athletic fields in Churchill County, a golf course in Wells, and swimming pool heaters in Elko. This is money which has come to the State as a portion of the federal revenues from offshore oil and gas development. These grant moneys are important to Nevada because they are about jobs. It is additional revenue for the State. It is also important because these are your assets that are not being used. It is time to get rid of the old paradigms and concepts—this is a very sophisticated business. We urge you to encourage Washington, D.C. to do what is right for the country and for Nevada in terms of looking at ways to open portions of the offshore oil and gas.

Chair Claborn:

Any questions?

Assemblyman Hogan:

I was intrigued by the complex, modern rigs with the long extensions. Are there any in use in our offshore waters currently?

Tom Fry:

Yes, there are in the deep water of the Gulf of Mexico. The first wells were drilled in 25 feet of water, and we used to think deep water was 50 feet, but the most recent wells have been drilled in over 10,000 feet of water, and then drilled 25,000 feet into the crust of the earth. That is incredible technology. The kinds of things pictured are very much in use in the Gulf of Mexico.

Chair Claborn:

You need to go that deep? What kind of drills do you use?

Tom Fry:

Yes, we need to go that deep. There are drill ships used which are as big as the *Titanic* or as big as a battleship because they have to be able to carry all that weight. The temperatures and pressures they run into at those kinds of depths have made changes to the kinds of drill bits and piping being used, as well.

There are many new techniques to deal with those temperatures and pressures. It is enlightening to watch a drilling operation. It is almost like watching a video game. Technicians are toggling switches. They have remotely operated vehicles which move up and down the pipe, monitoring the pipe while it is drilling. All the activity is done by remotely operated cranes underwater. Obviously, people do not go down that deep. All the development is done by massive pieces of equipment underwater.

Chair Claborn:

We need the oil, and the machinery and cranes you talk about are amazing. All the cranes and platforms you have described must weigh in the millions of pounds. It is hard to believe how they float out there and are tied to the bottom with concrete. It must take billions of dollars before you can drill an ounce of oil for a profit.

Tom Fry:

Ten years ago, I talked with a company that said they spent \$17 billion in the Gulf of Mexico but never produced a drop of oil or gas, and they were really happy.

Assemblyman Hogan:

To what extent is the oil recovered by these deep rigs, transferred into tankers, and shipped to shore. Are there other safer means available to bring it in from these distant points?

Tom Fry:

Right now there is none that is transported—it all comes in by pipeline. There has been a concept approved for a floating production platform where oil and gas would go to a central point rather than be piped to shore. At that point, it may be tankered in. For right now, it all comes in by pipeline.

Assemblyman Ohrenschall:

You mentioned the wave energy. Can you tell us more about it? Is it cost effective and will the industry be spending more resources on that?

Tom Fry:

There have been demonstration projects that have shown wave energy to be commercial. There are no commercial projects yet, however. The Minerals Management Service (MMS) at the Department of the Interior now has the authority to permit those, and they are going through a rulemaking process now to determine how the process will go forward for wind and wave in the offshore. I am sure we are going to see a surge of wave activity in the near future because of projects that have shown it can be economically feasible.

Assemblyman Ohrenschall:

There was that issue in Massachusetts with the turbines. There were complaints from Martha's Vineyard. Did they get built?

Tom Fry:

They are a member of ours. Cape Wind was the company that was trying to put in wind turbines off of Nantucket. The last I heard, the project was in limbo, but with the new legislation approved a couple years ago, it grandfathered in two projects, this being one of them. The legislation provided they would not have to go back through all of the regulatory processes again since they had been through it for ten to eleven years. MMS still has to permit or not permit them and that decision has not been made yet. There is also a huge wind farm that has been proposed offshore Texas and offshore Long Island.

Chair Claborn:

Where would the "big push" be for drilling? Is it off the coast of California, Oregon, or Washington?

Tom Fry:

The politics of this makes it difficult to do offshore California right now. There are some opportunities in the lower Atlantic. In Virginia, the legislature passed a bill last year saying they want to explore the possibility of having offshore natural gas development off their shoreline because it is about jobs and their economy. While the Governor vetoed the bill, both of their United States Senators immediately introduced a bill trying to open up offshore Virginia. We recognize there is real power in the state legislatures. There may be opportunities in Georgia and South Carolina. The place we are most interested in is the area offshore of Florida on the eastern side of the Gulf of Mexico. Currently you cannot drill in that area. The reason we know why people are so interested is because we know the geology there and the infrastructure is already in place. It would be easy to go in and have additional production there, but the state of Florida did not want any activity within 125 miles of their shoreline.

Chair Claborn:

Like the people in the state of Virginia, it is like trying to break a constitutional amendment. It is hard to do.

Tom Fry:

The MMS is in the process of developing a new five-year plan and in their draft plan, they do have Virginia in it. It would still take a lifting of the Presidential and Congressional Moratorium. Two years ago, Congress lifted the

Congressional Moratorium in the Bristol Bay in Alaska. In December, President Bush lifted the Presidential Moratorium for the area.

Chair Claborn:

I hope one of these days you can come back, and we will have something positive we can do about our natural gas and oil. There is no doubt we are going to have to look for alternative fuels. We always have an open mind to do that, but we also have to protect the environment.

Any more questions? [There were none.]

Meeting adjourned [at 2:47 p.m.].

RESPECTFULLY SUBMITTED:

Sherrada Fielder
Committee Secretary

APPROVED BY:

Assemblyman Jerry D. Claborn, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Natural Resources, Agriculture,
and Mining

Date: March 19, 2007

Time of Meeting: 1:37 p.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Sign-In Sheet
A.B. 217	C	Assemblyman David P. Bobzien, Washoe County Assembly District No. 24	PowerPoint Presentation
A.B. 217	D	Assemblyman David P. Bobzien, Washoe County Assembly District No. 24	State Environmental Commission Meeting Agenda
A.B. 217	E	Allen Biaggi, Director, Department of Conservation and Natural Resources, Nevada	Written Testimony
A.B. 217	F	John O'Brien, Administrator, Division of Plant Industry, State Department of Agriculture	Letter of Support from Nevada Pest Control Association
S.J.R. 8	G	Tom Fry, President of National Ocean Industries Association, Washington D.C.	PowerPoint Presentation