

**DRAFT MINUTES
SENATE & HOUSE INSURANCE & COMMERCE COMMITTEES
MEETING JOINTLY**

**Fine Arts Auditorium, University of Arkansas Community College at Morrilton
1537 University Blvd., Morrilton, AR
Tuesday, September 11, 2012**

The Senate and House Interim Committees on Insurance and Commerce met jointly Tuesday, September 11, 2012, at 10:00 A.M. in the Fine Arts Auditorium at the University of Arkansas Community College at Morrilton (UACCM), 1537 University Blvd., Morrilton, Arkansas.

Committee members present: Senators Jack Crumbly, Chairman; and Jason Rapert, Vice Chairman. Representative Jonathan Barnett.

Non-Voting members present: Representative Robert Dale.

Also attending: Senator Michael Lamoureux and Representative Tommy Thompson.

Senator Crumbly thanked UACCM for hosting the meeting and recognized Senator Rapert and Representative Thompson for comments. Senator Rapert thanked everyone for attending and commended the school for advancing petroleum and natural gas (NG) technology through education. Representative Thompson welcomed the group to Conway County and observed a moment of silence, remembering September 11, 2001.

CONSIDERATION TO APPROVE OCTOBER 5, 2011, SENATE & HOUSE INTERIM COMMITTEES ON INSURANCE & COMMERCE AND NOVEMBER 3, 2011, HOUSE INTERIM COMMITTEE ON INSURANCE & COMMERCE MEETING MINUTES [EXHIBITS D1 & D2]

Senator Rapert made the motion to approve the October 5 and November 3, 2011, meeting minutes.

Without objection, the minutes were approved.

OVERALL IMPACT AND EMPLOYMENT OPPORTUNITIES IN THE FAYETTEVILLE SHALE (FS)

Mr. Randy Zook, President/CEO, Arkansas State Chamber of Commerce, said FS drives about 7,500 direct jobs in Arkansas with average wages of \$75,000 per year, helping the state's per capita income rank advance from 49th to 46th. Mr. Zook explained, FS's influence in Arkansas will continue for many years, and leaders should be wise when dealing with the industry. Typically, states invest \$50,000 - \$75,000 per job to attract new industries and support existing company expansions. Arkansas's investment in FS is relatively small; especially considering it attracts new businesses. The NG industry is not a guarantee and the number of drilling rigs in Arkansas has dropped from 51 to 17. Production is decreasing because drilling for oil is more profitable than NG, and the price of NG has collapsed. Mr. Zook added Arkansas's NG industry is responsible for about 8,500 indirect jobs in the state; noting Welspun Tubular, LLC (WT) in Little Rock has 1,400 employees, Saint-Gobain in Saline County, and American Railcar Industries (ARI) has plants in Marmaduke and Paragould. ARI builds tanker cars and hoppers that transport fracking sand. They recently hired 1,000 new employees to handle the demand created by FS. In 2012, Arkansas will sell more than one-trillion cubic feet of natural gas with a market value of \$3 billion; exceeding the combined value of the state's corn and soybean crops.

In response to a question by Senator Rapert, Mr. Zook said Arkansas should use the FS resource wisely and take advantage of its maximum value. Expanding CNG for transportation is the most important opportunity for the shale. Arkansas should send market signals to CNG businesses, indicating they would invest in CNG school buses and fleets as needed in areas where fueling stations are accessible. Arkansas has three active public CNG stations; Oklahoma has 70. Offering tax incentives to Arkansans who heat their homes with LNG is another way to drive the market.

Representative Barnett said it is cheaper to heat a home with NG than with electricity. He believes Arkansas should promote using CNG for transportation and Arkansas Economic Development Commission should recruit industries that use large quantities of NG. He noted Arkansas's central location gives the state an advantage in terms of moving the product throughout the U.S.

Mr. Kelly Robbins, Executive Director, Arkansas Independent Producers and Royalty Owners (AIPRO), said AIPRO represents all segments of Arkansas's oil and gas production community. The group developed Handout 1 to help policymakers understand more about the industry. It explains who regulates, addresses air and water quality issues, fracturing, and tells how FS revenue affects Arkansas's economy. The value of Arkansas's oil and gas products is around \$11 billion, and 25 of the state's 75 counties produce oil and/or NG. Mr. Robbins said every Arkansan benefits from the FS play, and noted increased property-tax revenue helps fund ailing school districts; severance-tax collections (more than \$160 million in three years) helps repair roads; CO₂ emissions are at the lowest levels in 20 years; and reduced NG prices mean the average Arkansas household saves about \$125/year on utilities.

SOUTHWESTERN ENERGY: OPERATIONS, EMPLOYEES, OUTLOOK FOR THE FUTURE INCLUDING NEEDS FOR SKILLED LABOR [HANDOUT 1]

Mr. Danny Ferguson, Vice President of Government & Community Relations, Southwestern Energy (SWN), said the company believes in employing local people. It recognized a need to train the FS area's workforce for the petroleum technology (PT) jobs. SWN began its partnership with UACCM in 2005 and invested \$200,000 to develop a two-year Associate of Science in PT degree program. In the last seven years, the NG industry has contributed more than \$500,000 to the FS Scholarship Fund. Since 2008, SWN has invested more than \$8 billion in Arkansas, and today they have about 1,300 full-time employees in the state. The company has provided 188 internships and hired 60 full-time employees directly from UACCM's PT Program. Today, Arkansas ranks 8th in the nation for gas-producing states. Mr. Ferguson said the UACCM/SWN partnership is a "poster-child" for successful private/public partnerships.

OVERVIEW OF THE PETROLEUM TECHNOLOGY PROGRAM, UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT MORRILTON AND WELCOME [ATTACHMENTS 1 & 2]

Dr. Larry Davis, Chancellor, UACCM, presented a PowerPoint entitled, "UACCM Overview". [ATTACHMENT 1] Dr. Davis thanked legislators for supporting UACCM and recognized key staff members who helped make the meeting possible. UACCM opened in fall of 1963 and will celebrate its 50th anniversary in 2013. Only three two-year colleges in Arkansas have more graduates per year than UACCM. The school is the fifth largest and third lowest funded two-year college in the state. In the next four years, UACCM will focus on developing technical and online programs. Dr. Davis noted, public/private partnerships are essential to the school's success, and he thanked SWN for their support.

Mr. Curt Hippensteel, Petroleum Technology Instructor, UACCM, presented a PowerPoint entitled, "PT Program - UACCM" [ATTACHMENT 2] and said SWN and UACCM held initial meetings in 2005 to develop non-credit employee-training classes and a two-year Associate of Applied Science in PT degree program. SWN wanted hands-on training that helped students understand basic oil and gas operations; develop math and writing skills; think critically; communicate well; and advance to supervisory positions. Since 2005, the company has committed more than \$400,000 to the college; contributed to curriculum development; and supplemented instructor continuing education. Representatives from various industrial sectors serve on UACCM's advisory committee to keep the school updated on industry-related topics. The FS scholarship fund has provided 313 scholarships for UACCM students. Today, the PT program has four instructors and 150+ graduates working in at least 25 types of oil and gas related industry jobs.

Ms. Sheryl Wade, Measurement Technician and Instructor for UACCM, said she enrolled in UACCM's Petroleum Technology program when she lost her airline industry job after September 11, 2001. In 2007, SWN gave her an internship opportunity and the company's motto, R², reminded her that she had to be "the right person doing the right thing every day." Today she is an instructor in UACCM's PT program. She earned her bachelor's degree last year and will start working on her master's degree this spring.

Mr. David Young, Completions Foreman, SWN, enrolled in UACCM's PT program and retained a SWN internship in January 2007. He graduated in May 2012 and has worked his way up in the company. He credits the UACCM and SWN partnership with providing a good job for him, allowing his wife to quit her job and stay home with their children.

Mr. Dave Delie, President, Welspun Tubular LLC (WT), said Welspun began as a textile company that sold linens to Walmart. In 2009, the company expanded, invested \$190 million in a 784-acre plant in Little Rock, and started producing steel pipe. Today, WT is a U.S. company with Indian ownership and one of the world's largest pipe producers. At its Little Rock facility, WT can produce 200 80-foot pipes, coat 300+ pipes, and ship more than 50 railcars of product/day. The plant has produced more than 1,350 miles of pipe (620,000 metric tons) for the oil and gas industry. Recently, WT expanded its Little Rock site and hired 200 new workers, with average wages of \$16 to \$17/hour, to build larger pipe for the FS industry. WT has about \$290 million invested in its Little Rock location; the plant's annual payroll is \$25 - \$30 million. The company has produced more than 600 miles of pipe for the Keystone and Keystone XL pipelines. About 400 miles of pipe built for the Keystone XL pipeline sits at its Little Rock site awaiting project approval permits. Mr. Delie said WT is pleased with its Little Rock location, likes being located in the central U.S., and looks forward to embarking on new projects like producing casing pipe for FS wells.

Mr. Jimmy Hart, Conway County Judge, said at first the FS play seemed too good to be true, but the shock is over, and Conway County has benefited from the resource. Judge Hart commended SWN and UACCM for training the local workforce and providing them with good jobs. He explained that FS's location is one of its greatest assets, because it has easy access to rail, river, and roads.

Senator Crumbly thanked the speakers and invited everyone to lunch in The Plaza.

With no further business, the meeting adjourned at 12:25 P.M.