

OFFICIAL MINUTES
PIGEON RIVER COUNTRY ADVISORY COUNCIL
April 20, 2007

A meeting of the Pigeon River Country Advisory Council (PRCAC) was held on Friday, April 20, 2007 at the Pigeon River Country Management Unit Headquarters. Chairman Gustafson called the meeting to order at 6:30 pm.

MEMBERS PRESENT: Bob Bolinger, Mark Ennes, Ken Glasser, Pete Gustafson, Eugene Horan, Rique Campa, John Walters, Richard Myers, Mike Castle, Arch Reeves, Dave Smethurst, Bud Slingerlend, Bob Hess, Ben Bartlett and Carol Clute

MEMBERS ABSENT: Jim Supina, Randy Sanders and Don Huff

EX-OFFICIO PRESENT: Dave Borgeson, Rick Henderson and Joe Jarecki

EX-OFFICIO ABSENT: Brian Mastenbrook for Glen Matthews

OTHERS PRESENT: Mike Brown, Dayle Garlock, Richard Kropf, John Ernst, Paul Repasky, Tom Deans and Jude Jarecki

CHAIR'S OPENING REMARKS:

Chairman Gustafson said that Joe Jarecki will be retiring as Pigeon River Country State Forest Unit Manager at the end of April. On behalf of the Advisory Council, he presented a plaque to Joe and Jude Jarecki in appreciation for their service and support for the Advisory Council.

Several new Advisory Council members had been appointed since the last meeting, so Gustafson asked all Council members to introduce themselves and to give a bit of their background.

AGENDA

No changes to the published agenda were requested.

APPROVAL OF SEPTEMBER 15, 2006 ADVISORY COUNCIL MEETING MINUTES

Motion by Glasser, support by Slingerlend to amend the December 8, 2006 minutes by deleting the text of the Glasser motion on page 2 and substituting the motion from the November 29, 2006 Oil and Gas Committee meeting. Motion carried.

The November 29, 2006 Oil and Gas Committee motion was: "Since the people of the State of Michigan purchased the lands, known as the Pigeon River Country State Forest (PRCSF), including lands in what is commonly referred to as "Blue Lakes" among others, for the purpose and intent of preserving the character and habitat for wildlife, habitat that does not exist in other parts of the state, and since it is evident that oil and gas exploration and production has had and will likely continue to have a negative impact on this area. Therefore, we recommend that the State of Michigan, its DNR and DEQ, deny any and all permits for drilling and surface damages on state owned lands within what is commonly known as the Blue Lakes tract in order to protect for future generations this special area, and further, that we support the State of Michigan, its DNR and DEQ, in their denial of

these permits, including through any court action which might be threatened as a result of such denial of permits. We would further support a challenge of any laws which might interfere with the State's right to protect these lands."

Motion by Smethurst, support by Glasser to approve the December 8, 2006 Advisory Council meeting minutes as amended. Motion carried.

PUBLIC COMMENTS:

Richard Kropf asked, and was granted, permission to speak on behalf of the PRC Association during the Oil and Gas part of the agenda. He also passed out and read parts of an email from PRC Association Board member Greg Keith since Keith was unable to attend the meeting. (Copy attached.)

Mike Brown said that Land Transaction Application 200600194 is on the Natural Resources Commission agenda for their next meeting and is listed as being in the PRC. He asked what it is. Jarecki said he is not sure, but will find out and let Brown know.

STURGEON VALLEY ROAD BRIDGE

The Otsego County Road Commission contracted with Wade-Trim to design the replacement bridge across the Pigeon River on Sturgeon Valley Road. John Ernst, Wade-Trim Project Engineer presented the plan as it presently stands which has input from various sources, including the PRC Advisory Council. He said the existing bridge, at about a 60 foot span, is too short and scouring occurs during high water events. To eliminate scouring, the new bridge span will be about 80 feet long. It will also be wider than the existing bridge and will match the road width. He said pre cast concrete beams are the best choice for this bridge crossing. He said that the construction schedule is open and that Jarecki has suggested early summer might be better than spring or fall for the approximately two month construction period.

Ernst said that it is not feasible to keep one lane open for traffic during construction. The details of possible detour routes have not been worked out. Tom Deans, OCRC Engineer, said that there will definitely not be a detour created by doing a major upgrade of local roads near the bridge. He said there might only be a sign in Vanderbilt that says the bridge is under construction that suggests taking other routes rather than having a formal detour.

The Advisory Council was invited to provide additional input, especially with respect to the color to be added to the concrete, the railing design (several choices were described) and whether or not parking should be provided near the bridge.

Ernst, Wade-Trim Design Engineer Paul Repasky, and Deans answered many questions.

Motion by Smethurst, support by Walters that the parking area shown in the northwest quadrant of the draft plan for the bridge crossing the Pigeon River on Sturgeon Valley Road be eliminated. Motion carried.

OIL AND GAS

Gustafson asked Jarecki to discuss a potential mineral rights swap in Blue Lakes. Jarecki said that at a recent Oil and Gas Committee meeting, Aurora Energy representatives indicated a possible interest in exchanging mineral rights in Blue Lakes for state owned minerals in other locations. Subsequent conversations confirmed the interest. An exchange would be a long shot since it would be very complicated and would require participation by the mineral owner of Blue Lakes. However, there is hope that Antrim wells will not be drilled in Blue Lakes.

Jarecki went on to say that the DEQ process with respect to the Aurora applications for permits to drill in Blue Lakes is evolving. Because Blue Lakes is a special management area, the DEQ is going with a two phased approach. The first phase will be to issue permits with conditions for drilling the test holes. Once the test hole data is gathered, Aurora will submit a proposal for drilling the production wells and then the DEQ producing well conditions will be developed with additional input from the DNR.

Jarecki said the DEQ conditions for the test/trial hole phase will incorporate all of the recommendations in the DNR 2/23/2007 memo from Fisheries, Wildlife and Forest, Mineral and Fire Management Divisions that were relevant to test holes. The only exception is that Aurora must submit a new application for the B3-6 well rather than doing a test well in a different location from the producing well. Copies of the draft DEQ conditions were passed out and Rick Henderson said that they will be the final permit conditions. (Copy attached.)

Jarecki said that issues like lateral/horizontal drilling, penalties for leaving gates open, access routes to producing wells and restoration standards were not addressed for the test well phase. Lateral/horizontal drilling will be addressed as part of the review of the proposed production well project plan. The other issues will be addressed with DEQ conditions for production wells and/or in the DNR surface use permit.

Ken Glasser, Oil & Gas Committee Chair, discussed the Blue Lakes proposal by Aurora and the proceedings of the February 28 and March 14, 2007 Oil & Gas Committee meetings. (Copies attached.) He also passed out a memo from Bob Jacobson, President of the Michigan Conservation Foundation. (Copy attached.)

Motion by Glasser, support by Horan, to adopt the March 14, 2007 Oil & Gas Committee recommendation. Motion failed, 5 yes, 6 no and 4 abstentions.

The recommendation was: Since some on the proposed wells are near wetlands and the Black River and opening the existing trail roads within the Blue Lakes tract would allow access to otherwise inaccessible sensitive areas, and three proposed booster pumps would take away from the value to the people of Michigan and since this will also have an impact on wildlife including but not limited to: Elk, Bobcat and Bear among others, which seek out this quiet and inaccessible area. Therefore, this committee recommends that this project be STOPPED until such time as further study and an environmental impact statement can be completed and reviewed. *And further that the DNR deny permits to drill production wells anywhere within ¼ mile of any standing or running surface water within the Blue Lakes Tract unless a complete environmental impact statement would allow specifically located exceptions to this general restriction. (As Amended)*

Discussion about the above recommendation included:

- There are two components to the motion, a recommendation that an environmental impact statement be completed and a recommendation that wells be at least ¼ mile from water.
- An environmental impact statement is mainly a creature of Federal law and there is an elaborate procedure associated with producing it.
- Although occasional environmental impact statements have been done by the DNR, there is no formal State procedure established for doing an environmental impact statement.
- There was an environmental assessment done for Aurora's proposed Blue Lakes Antrim

Gas Project, but not an environmental impact statement.

- There is no specific distance that a gas or oil well is required to be from water in state or federal law. The ¼ mile setback that is commonly discussed is a lease restriction that the DNR uses when it leases state owned minerals. Blue Lakes minerals are privately owned and the mineral owner did not include a lease restriction specifying a distance that wells must be from water when the minerals were leased to Aurora.

Rick Henderson discussed the environmental review process for the Blue Lakes wells that was done to date and said permits to drill will be issued by the DEQ next week. Ken Petrie of Aurora told Henderson that, even if the DEQ permits to drill are issued, Aurora prefers to not drill in Blue Lakes and does not intend to drill any well unless it is established that there is no chance for a mineral rights exchange.

Council members expressed disappointment that they were not invited to go on any field reviews for the Blue Lakes wells and said they would like the opportunity to be included in field visits for any oil and gas development application submitted in the future. They asked that the Advisory Council Chair and the Oil & Gas Committee Chair be notified when field reviews are scheduled for any oil and gas exploration and/or development applications. They said they understood that the notice might be short, but would like the chance to be able to participate. The Chairs would notify other Council and Oil & Gas Committee members of the opportunity for a field trip. Rescheduling the trip would not be requested to accommodate Council or Oil & Gas Committee member schedules.

BREAK 9:10 to 9:33 p.m.

OIL AND GAS CONTINUED

Glasser said that another March 14 Oil & Gas Committee recommendation was that the Council be informed about anything that is not included from the February 23, 2007 DNR memo to the DEQ about conditions the DNR would like to have included if the DEQ does issue drilling permits. He said that the draft permit conditions and statements by Jarecki and Henderson fulfill the request.

Motion by Smethurst, support by Walters that on all oil and gas matters involving the Pigeon River Country State Forest, the PRC Advisory Council requests that DNR and DEQ involve the Advisory Council in the development plan process, including but not limited to, field review, pipe and flow line placement, production facilities, river and wetland crossings, and proximity to surface water. Motion carried.

Motion by Walters, support by Glasser, that the Advisory Council strongly encourages the DNR to make every effort possible to make a mineral rights exchange for Blue Lakes so that the DNR acquires the mineral rights in Blue Lakes in exchange for mineral rights outside of the Pigeon River Country. Motion carried.

Motion By Ennes, support by Smethurst that the Advisory Council recommends that the DNR, by purchase, exchange or other means, acquire the minerals for any existing state only surface ownership in the Pigeon River Country and that future purchases include mineral rights as well as surface ownership. Motion carried.

Jarecki discussed the remaining oil and gas part of his Ex-officio report. (Copy attached.)

By consensus, the Council requested that the minutes reflect that the PRC Advisory Council

appreciates the efforts of Merit Energy Company to pro actively address the contamination at the Charlton 4 Central Production Facility, and especially appreciates the efforts of Randy Sanders.

DNR FOREST, MINERAL & FIRE MANAGEMENT REPORT

Dayle Garlock said the big news is that the state budget crisis is the worst he has seen in the 30 years he has worked for the Department and it is impacting day to day operations. The Governor recently issued 20 Executive Directives to do with saving money. One Executive Directive is that people cannot be hired or promoted until at least September 30, 2007 without special approval that is very hard to get. Therefore the Unit Manager vacancy created by Joe Jarecki's retirement will not be immediately filled. Instead, Atlanta Unit Manager Laurie Marzolo will temporarily be assigned as the Unit Manager of both the Atlanta Management Unit and the Pigeon River Country State Forest. Before the Executive Directive was issued, the intent was to replace Jarecki with the normal process which would have resulted in the position being filled in June or July.

Garlock introduced Marzolo. She said she started working for FMFM in 1985 at Mio and described the positions that she has held to date. She said she is excited to be the Acting Unit Manager for the PRC and she will be kept very busy with the 300,000 acre Atlanta Management Unit as well as the Pigeon River Country State Forest.

Garlock said that a mineral trade in Blue Lakes would be difficult and complicated. One complication is that Aurora may want to change the lease classification on land outside of the PRC from nondevelopment to development. Managers of those lands classified them nondevelopment for a reason. The Department may have to decide which is more important, retaining the existing nondevelopment classification on some state land outside of the PRC or stopping the drilling in Blue Lakes.

Gustafson urged Council members to support license fee increases, if they are so inclined, and to offer their volunteer services, if they can.

EX-OFFICIO REPORTS

Wildlife Division

No report.

Fisheries Division

Dave Borgeson said that the Fisheries excavator is down and needs repairs. It is needed to move and place boulders and to do other work in order to implement the Sinkhole Lakes plan to open some of them to fishing. With spending constraints due to state budget problems, it may be hard to get approval to repair the excavator (Fisheries money is available but approval to spend it is the problem). Therefore, it is unsure if the boulders will be placed and the slope work will be done in August as is scheduled.

FMFM Division

Joe Jarecki discussed the parts of his written Ex-Officio Report that were not covered during the oil and gas part of the agenda. (Copy attached.)

NEW ADVISORY COUNCIL MEMBER ORIENTATION

Gustafson said he plans to have a couple hour long new Advisory Council member orientation session some evening in May, possibly in Gaylord. He will send an email with potential dates

and times for an evening meeting to be held in May. He invited new Council members to join standing committees that they may be interested in and/or have expertise in. He said further discussion about committees will take place at the orientation meeting.

CONCEPT OF MANAGEMENT UPDATE

Chairman Gustafson said the draft update of the Concept of Management is nearing finalization and a draft should be out for public review soon. He said it will come to the Advisory Council before the public meeting that is tentatively planned to be held in Gaylord and before it is on the NRC information agenda. It will likely be a major agenda item at the next Council meeting. He said possible controversial issues in the current draft include: snowmobiles would be limited to all county roads and all DNR roads while the Advisory Council recommended that they be limited to only county roads; it is open as to what the Advisory Council role will be regarding oil and gas issues in the Annexed areas; and horseback riding criteria are still under debate.

FUTURE AGENDA ITEMS

There was a request to update the Advisory Council member plaque that is hanging on the east wall of the conference room. If money is needed, Council members offered to “pass the hat”.

The hand rail is rotting out on the approach ramp and the exterior finish is deteriorating on the PRC Headquarters/Office building. Council members would like a report about what is needed to make repairs.

ADJOURN

Motion by Walters, support by Bolinger to adjourn at 10:33 p. m. Motion carried.

Minutes were taken and summarized by Joe Jarecki.

Respectfully Submitted,

Laurie Marzolo, Secretary