



STATE OF TENNESSEE
DEPARTMENT OF ENVIRONMENT AND CONSERVATION
NASHVILLE, TENNESSEE 37243-0435

JAMES H. FYKE
COMMISSIONER

PHIL BREDESEN
GOVERNOR

November 3, 2005

Alvin Payne, Asst. Vice President
Office of Capitol Projects
The University of Tennessee
Suite 529 Andy Holt Tower
Knoxville, TN 37996-0151

Dear Mr. Payne:

The northern part of the Cumberland Plateau has a long history of oil and gas development and is certainly experiencing an increase of drilling activity at present. The proposed area included in the various tracts managed by the University of Tennessee has good potential for reserves and has always been of interest to oil and natural gas drillers. The 2002 subcommittee of the State Building Commission was formed to review current statutes and policies regarding this matter and as a result a list of options and considerations were presented to the Commission. The decision was made to take no action and leave further development of a policy of rules and regulations on mineral leasing for future consideration.

The Tennessee Department of Environment and Conservation (TDEC) has received several inquiries as to the availability of leasing state-owned minerals. Lands administered by the Department include State Parks and Natural Areas that promote recreational public use and the preservation of a variety of plant and animal species. The responsibility for protecting and preserving the state's natural and cultural resources presents a direct conflict with the development of the state's natural resources and the Department has always been reluctant to diminish the value of state-owned properties. Therefore no method or process to review, approve, or deny has been established and past policy has generally been to deny any applications to lease.

As presented in the attached report the management strategies and limited public access on the UT Cumberland Forests indicate that with proper oversight and enforcement of established Best Management Practices oil and gas development in this area is a viable option. Permitting and regulating any drilling activity would be the responsibility of the State Oil and Gas Board located in TDEC in the Division of Water Pollution Control (WPC). Other applicable permits and enforcement regarding construction and

maintenance of roads, stream crossings, potential discharge and reclamation could include other programs within WPC. TDEC's Division of Geology is the repository of all drilling records and subsurface data for the state and would be available for resource assessments in specific areas of interest. Additional requirements and concerns for liability and operations would have to be addressed in the Request for Proposals and the resulting lease agreement.

Would you please advise Michael Hoyal, Assistant State Geologist, as to the progress of this proposal at the above address or you can contact him at (615) 532-1504.

Sincerely,



James H. Fyke

JHF:MH:gm

cc: Chuck Head, Director of Land
Michael Hoyal, Assistant State Geologist
OGC

