

State of Alaska FY2008 Governor's Operating Budget

Department of Administration Alaska Oil and Gas Conservation Commission RDU/Component Budget Summary

RDU/Component: Alaska Oil and Gas Conservation Commission

(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)

Contribution to Department's Mission

To protect the public interest in oil and gas resources and underground sources of drinking water.

Core Services

Hold hearings and open meetings.

- Issue pooling rules and other conservation orders.
- Approve and monitor plans for reservoir development and enhanced oil recovery.
- Approve permits for initial drilling, redrilling, sidetracking, and remedial well operations. This includes the evaluation and approval of proposed designs for drilling fluids, well control, casing, cementing and well completion operations. Inspect drill rigs and wells to insure compliance with AOGCC regulations.
- Witness safety valve, mechanical integrity, and blowout preventer tests.
- Witness meter-proving, calibration, and oil quality tests.
- Enforce well spacing rules.
- Monitor production rates, injection well patterns, gas/oil/water ratios, and pressure maintenance efforts.
- Monitor and evaluate gas flaring.
- Collect and maintain all statewide oil and gas production records.
- Collect and maintain all well history files and well log records.
- Administer Alaska's Underground Injection Control (UIC) program and the annular waste disposal program.
- Conduct public outreach.
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End Results	Strategies to Achieve Results
<p>A: Ensure safe, efficient recovery and prevent physical waste of Alaska's oil and gas resources.</p>	<p>A1: Ensure safety of well drilling and control equipment.</p> <p><u>Target #1:</u> AOGCC shall witness at least 20% of diverter tests. <u>Measure #1:</u> % of diverter tests witnessed by AOGCC inspectors.</p> <p><u>Target #2:</u> AOGCC shall witness at least 15% of blowout prevention equipment (BOPE) tests. <u>Measure #2:</u> % of BOPE tests witnessed by AOGCC inspectors.</p> <p><u>Target #3:</u> AOGCC shall witness at least 40% of all safety valve systems (SVS) tests. <u>Measure #3:</u> % of SVS tests witnessed by AOGCC inspectors.</p> <p>A2: Minimize waste due to unnecessary flaring and venting of produced gas.</p> <p><u>Target #1:</u> Less than 0.5% loss of total gas production through flaring and venting. <u>Measure #1:</u> % of total gas production flared or vented.</p> <p>A3: Expediently adjudicate all permit applications while ensuring compliance with regulations and</p>

	<p>orders.</p> <p><u>Target #1:</u> Comprehensively review and adjudicate drilling permit applications in less than 10 working days. <u>Measure #1:</u> Average adjudication time for drilling permits.</p> <p><u>Target #2:</u> Comprehensively review and adjudicate sundry applications in less than 10 working days. <u>Measure #2:</u> Average adjudication time for sundry applications.</p> <p>A4: Maximize recovery.</p> <p><u>Target #1:</u> Guide development of Alaska's oil and gas pools. <u>Measure #1:</u> Number of orders and administrative approvals issued.</p> <p><u>Target #2:</u> Evaluate development and depletion of 20% of Alaska's oil and gas pools per reporting period. <u>Measure #2:</u> Percent of oil, gas and disposal pools evaluated.</p> <p><u>Target #3:</u> Supply non-confidential well and production information upon request. <u>Measure #3:</u> Percent response to information requests.</p>
End Results	Strategies to Achieve Results
<p>B: Protect Alaska's underground fresh water.</p>	<p>B1: Ensure safe underground injection and annular waste disposal.</p> <p><u>Target #1:</u> AOGCC shall witness at least 50% of all mechanical integrity tests (MIT's) performed on existing Class II wells <u>Measure #1:</u> % of total mechanical integrity tests witnessed by AOGCC inspectors.</p> <p><u>Target #2:</u> Zero incidents that result in contamination of sub-surface water due to oil and gas activities. <u>Measure #2:</u> Number of incidents resulting in contamination.</p>

FY2008 Resources Allocated to Achieve Results							
<p>FY2008 Component Budget: \$5,404,200</p>	<p>Personnel:</p> <table> <tr> <td>Full time</td> <td>30</td> </tr> <tr> <td>Part time</td> <td>0</td> </tr> <tr> <td>Total</td> <td>30</td> </tr> </table>	Full time	30	Part time	0	Total	30
Full time	30						
Part time	0						
Total	30						

Performance Measure Detail**A: Result - Ensure safe, efficient recovery and prevent physical waste of Alaska's oil and gas resources.****A1: Strategy - Ensure safety of well drilling and control equipment.**

Target #1:AOGCC shall witness at least 20% of diverter tests.

Measure #1: % of diverter tests witnessed by AOGCC inspectors.

DIVERTER TESTS (% Witnessed by AOGCC)

Fiscal Year	Q1 & Q2	Q3 & Q4	Target
FY 2004	24	22	>20
FY 2005	11	42	>20
FY 2006	31	39	>20

Target #2:AOGCC shall witness at least 15% of blowout prevention equipment (BOPE) tests.

Measure #2: % of BOPE tests witnessed by AOGCC inspectors.

BOPE TESTS (% Witnessed by AOGCC)

Fiscal Year	Q1 & Q2	Q3 & Q4	Target
FY 2004	15	16	>15
FY 2005	20	18	>15
FY 2006	19	23	>15

Target #3:AOGCC shall witness at least 40% of all safety valve systems (SVS) tests.

Measure #3: % of SVS tests witnessed by AOGCC inspectors.

SVS TESTS (% Witnessed by AOGCC)

Fiscal Year	Q1 & Q2	Q3 & Q4	Target
FY 2004	51	49	>40
FY 2005	49	42	>40
FY 2006	41	51	>40

A2: Strategy - Minimize waste due to unnecessary flaring and venting of produced gas.

Target #1:Less than 0.5% loss of total gas production through flaring and venting.

Measure #1: % of total gas production flared or vented.

% GAS PRODUCTION LOST THROUGH FLARING / VENTING

Fiscal Year	Q1 & Q2	Q3 & Q4	Target
FY 2004	0.18	0.17	<0.50
FY 2005	0.19	0.16	<0.50
FY 2006	0.19	0.19	<0.50

A3: Strategy - Expediently adjudicate all permit applications while ensuring compliance with regulations and orders.

Target #1:Comprehensively review and adjudicate drilling permit applications in less than 10 working days.

Measure #1: Average adjudication time for drilling permits.

AVERAGE ADJUDICATION FOR DRILLING PERMITS (Work Days)

Fiscal Year	Q1 & Q2	Q3 & Q4	Target
FY 2004	6.0	6.0	<10
FY 2005	6.0	6.9	<10
FY 2006	6.7	5.9	<10

Target #2:Comprehensively review and adjudicate sundry applications in less than 10 working days.

Measure #2: Average adjudication time for sundry applications.

AVERAGE ADJUDICATION FOR SUNDRY APPLICATIONS (Work Days)

Fiscal Year	Q1 & Q2	Q3 & Q4	Target
FY 2004	4.3	3.5	<10
FY 2005	3.8	4.5	<10
FY 2006	3.9	3.7	<10

A4: Strategy - Maximize recovery.

Target #1:Guide development of Alaska's oil and gas pools.

Measure #1: Number of orders and administrative approvals issued.

NUMBER OF ORDERS / APPROVALS ISSUED

Fiscal Year	Q1 & Q2	Q3 & Q4
FY 2004	44	30
FY 2005	53	45
FY 2006	55	51

Target #2:Evaluate development and depletion of 20% of Alaska's oil and gas pools per reporting period.

Measure #2: Percent of oil, gas and disposal pools evaluated.

% OF OIL AND GAS POOLS EVALUATED

Fiscal Year	Q1 & Q2	Q3 & Q4	Target
FY 2004	21	41	>20
FY 2005	74	100	>20
FY 2006	88	74	>20

Target #3: Supply non-confidential well and production information upon request.

Measure #3: Percent response to information requests.

% RESPONSE TO INFORMATION REQUESTS

Fiscal Year	Q1 & Q2	Q3 & Q4	Target
FY 2004	100	100	100
FY 2005	100	100	100
FY 2006	100	100	100

B: Result - Protect Alaska's underground fresh water.

B1: Strategy - Ensure safe underground injection and annular waste disposal.

Target #1: AOGCC shall witness at least 50% of all mechanical integrity tests (MIT's) performed on existing Class II wells

Measure #1: % of total mechanical integrity tests witnessed by AOGCC inspectors.

MECHANICAL INTEGRITY TESTS (% Witnessed by AOGCC)

Fiscal Year	Q1 & Q2	Q3 & Q4	Target
FY 2004	62	60	>50
FY 2005	77	68	>50
FY 2006	58	82	>50

Target #2: Zero incidents that result in contamination of sub-surface water due to oil and gas activities.

Measure #2: Number of incidents resulting in contamination.

NUMBER OF INCIDENTS OF SUBSURFACE WATER CONTAMINATION

Fiscal Year	Q1 & Q2	Q3 & Q4	Target
FY 2004	0	0	0
FY 2005	0	0	0
FY 2006	0	0	0

Key Component Challenges

- Oversee expanded statewide exploration and development, including the National Petroleum Reserve-Alaska (NPR-A), Alaska Peninsula and exploration licensing areas that are outside the traditional producing areas of the North Slope and Cook Inlet.
- Continue to be pro-active to protect Alaska's underground sources of fresh water through robust administration of the State's Underground Injection Control (UIC) program.
- Conduct major studies to determine conservation issues associated with potential large-scale gas sales from the Prudhoe and Pt. Thompson reservoirs.
- Evaluate and respond to changing conditions in mature oil fields to make certain operations are conducted in a safe and skillful manner in accordance with good oil field engineering practices and work to ensure greater ultimate recovery of oil and gas.
- Evaluate and respond to the need for a revised regulatory scheme to safely oversee new development of non-

conventional, shallow and gas storage resources.

- Continue to update and improve the Commission's audit inspection and compliance capability.
- Continue to develop electronic data storage and retrieval capability for improved information access, management and e-commerce.

Significant Changes in Results to be Delivered in FY2008

- Propose needed revisions to The Alaska Oil and Gas Conservation Act, AS 31.05.
- Propose Subsurface Safety Valve regulations.
- Revise the AOGCC regulations (20 AAC 25) to eliminate inconsistencies, update references, and clarify intent.
- Continue to simplify, standardize and consolidate Rules in Commission Orders, to make rules consistent from field to field.
- Complete initial studies to determine the potential impacts of major gas sales upon ultimate hydrocarbon recovery from the Prudhoe and Pt. Thomson reservoirs, and define reservoir depletion plan requirements needed to support allowable gas off-take rates from both reservoirs.
- Work with EPA and ADEC to establish functional requirements for wells involved in disposal injection service and seek primacy for Class I wells. This effort will lead to minimizing duplication of industry reporting and compliance burdens through the development of clear guidance for what fluids can be disposed in Class I and Class II disposal wells.
- Conduct a comprehensive review of all natural gas produced in Alaska, which is flared, vented or otherwise not put to beneficial use. Determine whether existing AOGCC regulations and reporting practices are adequate to prevent waste.
- AOGCC is the chief repository for Alaska's subsurface oil and gas-related information. Our internal regulatory processes rely heavily on this information. We intend to continue streamlining our internal handling of data, and to continue to improve public and industry access to non-confidential well and production data.
- Continue to evaluate ways to increase the AOGCC's efficiency and reduce costs.

Major Component Accomplishments in 2006

- Continued to evaluate and issue approvals for a large number of sub-surface oil and gas operations in an efficient and timely manner.
- Continued to oversee and administer the Federal UIC program in Alaska.
- Continued evaluation of the conservation issues (maximization of oil recovery) associated with the proposed sale of Prudhoe Oil Pool and the Pt. Thompson Unit gas.
- Adopted regulatory amendments to simplify requirements for testing of blowout prevention equipment.
- Completed major enforcement actions and completed numerous incident investigations.
- Expanded the capabilities of AOGCC's Internet-based Well and Production Information System, and worked with DNR and other State departments to deliver more types of information to the public. The Well and Production Information System consists of two Internet applications that allow AOGCC's public data to be delivered anywhere in the world over the Internet. These applications are available through the Commission's web page, and supported by a series of introductory videos and Frequently Asked Questions videos that allow a user to self-train, thereby minimizing staff support time. AOGCC staff also provided user training and support.
- In cooperation with the Department of Natural Resources, continued to utilize a \$1.2 million grant from the U.S.

Department of Energy to fund the “Alaska Oil and Gas Exploration, Development & Permitting Project,” which will augment information technology systems, deliver publicly available subsurface information on-line, and provide a shared, web-enabled geographic information system (GIS) linking AOGCC, DNR, and DGC information/data. This will encourage additional exploration and development in Alaska.

- Continued converting AOGCC's public well history files and oil and gas information into digital form. This has streamlined our internal handling of data and is reshaping our permitting processes.
- The Annual National Training Meeting for Risk Based Data Management System (RBDMS) was held at the AOGCC's office. Representatives from 11 states attended this session to receive training concerning management of electronic oil and gas information and to discuss joint development of an Internet-based electronic permitting system.
- Reorganized staff duties and responsibilities within AOGCC to increase Commission's ability to better carry out its statutory responsibilities.
- Continued to have AOGCC Commissioner's serve in leadership positions with the Interstate Oil and Gas Compact Commission (IOGCC) and the Ground Water Protection Council (GWPC).

Statutory and Regulatory Authority

AS 31.05 Alaska Oil and Gas Conservation Act
20 AAC 25 Alaska Oil and Gas Conservation Commission

Contact Information
<p>Contact: John K. Norman, AOGCC Commissioner and Chair Phone: (907) 793-1221 Fax: (907) 276-7542 E-mail: john_norman@admin.state.ak.us</p>

**Alaska Oil and Gas Conservation Commission
Component Financial Summary**

All dollars shown in thousands

	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	3,085.6	3,372.0	3,845.6
72000 Travel	137.5	187.2	187.2
73000 Services	1,026.5	2,181.3	1,268.8
74000 Commodities	113.5	43.0	43.0
75000 Capital Outlay	17.3	59.6	59.6
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	4,380.4	5,843.1	5,404.2
Funding Sources:			
1002 Federal Receipts	124.8	133.5	133.5
1004 General Fund Receipts	147.2	927.8	19.2
1162 Alaska Oil & Gas Conservation Commission Rcpts	4,108.4	4,781.8	5,251.5
Funding Totals	4,380.4	5,843.1	5,404.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2006 Actuals	FY2007 Management Plan	FY2008 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	124.8	133.5	133.5
Oil & Gas Conservation Commission Rcpts	51079	4,108.4	5,709.6	6,179.3
Restricted Total		4,233.2	5,843.1	6,312.8
Total Estimated Revenues		4,233.2	5,843.1	6,312.8

**Summary of Component Budget Changes
From FY2007 Management Plan to FY2008 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2007 Management Plan	927.8	133.5	4,781.8	5,843.1
Adjustments which will continue current level of service:				
-Delete OTI AOGCC Gasline Project, Sec 20(a), CH 3, FSSLA 05, P 106, L 2 (SB 46), lapse 6/30/07	-927.8	0.0	0.0	-927.8
-Fund Source Adjustment for Exempt Employees Health Insurance Increases	0.1	-0.1	0.0	0.0
-FY 08 Health Insurance Increases for Exempt Employees	0.0	0.1	3.9	4.0
-Fund Source Adjustment for Retirement Systems Increases	19.1	-19.1	0.0	0.0
Proposed budget increases:				
-FY 08 Internal Dept Cost Increase due to Retirement Systems Rate Increases	0.0	0.0	15.3	15.3
-FY 08 Retirement Systems Rate Increases	0.0	19.1	450.5	469.6
FY2008 Governor	19.2	133.5	5,251.5	5,404.2

**Alaska Oil and Gas Conservation Commission
Personal Services Information**

Authorized Positions			Personal Services Costs	
	<u>FY2007</u> <u>Management</u> <u>Plan</u>	<u>FY2008</u> <u>Governor</u>		
Full-time	29	30	Annual Salaries	2,329,332
Part-time	1	0	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	1,621,028
			<i>Less 4.80% Vacancy Factor</i>	<i>(189,760)</i>
			Lump Sum Premium Pay	85,000
Totals	30	30	Total Personal Services	3,845,600

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Clerk II	1	0	0	0	1
Admin Assistant	1	0	0	0	1
Administrative Clerk II	1	0	0	0	1
Administrative Clerk III	2	0	0	0	2
Administrative Manager II	1	0	0	0	1
Analyst/Programmer III	1	0	0	0	1
Analyst/Programmer IV	2	0	0	0	2
Commissioner, Oil and Gas Comm	3	0	0	0	3
Natural Resource Tech II	1	0	0	0	1
Petroleum Geologist Asst	1	0	0	0	1
Petroleum Inspector	4	0	0	2	6
Reservoir Engineer	1	0	0	0	1
Senior Petroleum Engineer	3	0	0	0	3
Senior Petroleum Geologist	2	0	0	0	2
Senior Reservoir Engineer	1	0	0	0	1
Special Assistant To Comm I	1	0	0	0	1
Statistical Technician II	2	0	0	0	2
Totals	28	0	0	2	30