

State of Alaska FY2007 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, re-drilling, 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.

End Results	Strategies to Achieve Results
A: Ensure safe, efficient recovery and prevent physical waste of Alaska's oil and gas resources.	A1: Ensure safety of well drilling and control equipment. <u>Target #1:</u> AOGCC will witness at least 20% of diverter tests. <u>Measure #1:</u> % of diverter tests witnessed by AOGCC inspectors. <u>Target #2:</u> AOGCC will witness at least 15% of blowout prevention equipment (BOPE) tests. <u>Measure #2:</u> % of BOPE tests witnessed by AOGCC inspectors. <u>Target #3:</u> AOGCC will witness at least 40% of all safety valve systems (SVS) tests. <u>Measure #3:</u> % of SVS tests witnessed by AOGCC inspectors. A2: Minimize waste due to unnecessary flaring and venting of produced gas. <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. A3: Expediently adjudicate all permit applications

	<p>while ensuring compliance with regulations and 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 and depletion of Alaska's oil and gas pools per quarter. <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 quarter. <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
B: Protect Alaska's underground fresh water.	<p>B1: Ensure safe underground injection and annular waste disposal.</p> <p><u>Target #1:</u> AOGCC will 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>

FY2007 Resources Allocated to Achieve Results

FY2007 Component Budget: \$4,915,300	<p>Personnel:</p> <table> <tr> <td>Full time</td><td>27</td></tr> <tr> <td>Part time</td><td>1</td></tr> <tr> <td>Total</td><td>28</td></tr> </table>	Full time	27	Part time	1	Total	28
Full time	27						
Part time	1						
Total	28						

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 will witness at least 20% of diverter tests.

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

DIVERTER TESTS (% Witnessed by AOGCC)

Fiscal Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Target
FY 2004	19	29	44	0	20
FY 2005	6	15	53	31	20

Target #2: AOGCC will 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	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Target
FY 2004	17	13	16	17	15
FY 2005	20	20	19	18	15

Target #3: AOGCC will 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	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Target
FY 2004	46	56	45	53	40
FY 2005	53	45	39	46	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	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Target
FY 2004	0.19	0.16	0.16	0.17	0.50
FY 2005	0.24	0.16	0.16	0.17	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	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Target
FY 2004	5.0	7.0	5.5	6.5	10
FY 2005	5.5	6.5	7.8	6	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	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Target
FY 2004	4.0	4.5	3.5	3.5	10
FY 2005	3.5	4.0	5.0	4.0	10

A4: Strategy - Maximize recovery.

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

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

NUMBER OF ORDERS / APPROVALS ISSUED

Fiscal Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
FY 2004	28	16	15	16
FY 2005	18	35	25	20

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

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

% OF OIL AND GAS POOLS EVALUATED

Fiscal Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Target
FY 2004	16	26	56	27	20
FY 2005	48	27	22	67	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	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Target
FY 2004	100	100	100	100	100
FY 2005	100	100	100	100	100

B: Result - Protect Alaska's underground fresh water.**B1: Strategy - Ensure safe underground injection and annular waste disposal.**

Target #1: AOGCC will 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	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Target
FY 2004	86	37	58	62	50
FY 2005	85	69	71	65	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	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Target
FY 2004	0	0	0	0	0
FY 2005	0	0	0	0	0

Key Component Challenges

- Assist in 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.
- Evaluate and respond to the need for a revised regulatory scheme to safely oversee new development of non-conventional, shallow and gas storage resources.
- Conduct major studies to determine conservation issues associated with potential large-scale gas sales from the Prudhoe and Pt. Thompson reservoirs.
- Continue to update and improve the Commission's audit and compliance capability.
- Continue to develop electronic data storage and retrieval capability for improved information access, management and e-commerce.
- 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.
- 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.

Significant Changes in Results to be Delivered in FY2007

- Propose needed revisions to The Alaska Oil and Gas Conservation Act, AS 31.05.
- Revise the AOGCC regulations (20 AAC 25) to eliminate inconsistencies, update references, and clarify intent.
- Initiate a formal inquiry 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.
- Finalize and release AOGCC's Internet-based Well and Production Information System. Expand the capabilities of the system and work with DNR and other State departments to deliver more types of information to the public. Develop enhancements for the system based on public demand. Provide user training and support.
- Continue to evaluate ways to increase the AOGCC's efficiency and reduce costs.

Major Component Accomplishments in 2005

- 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 the UIC program and secured legislation which will allow AOGCC to seek primacy for Class I disposal wells.
- 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.
- Finished converting a substantial portion of the 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.
- Developed software and purchased and installed hardware for AOGCC's Well and Production Information System. This system consists of two Internet applications that allow our public data to be delivered anywhere in the world over the Internet. They will be 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.
- Continued evaluation of the conservation issues (maximization of oil recovery) associated with the sale of Prudhoe Oil Pool gas. Finished initial audit of Prudhoe owners' reservoir studies concerning major gas sales and provided summary report to the legislature.
- Enacted new rules regulating sustained well casing pressures for 12 oil and gas fields.
- Conducted comprehensive study leading up to regulatory amendments to simplify requirements for testing of blowout prevention equipment.
- Completed two major enforcement actions and completed a large number of incident investigations.
- Continued to reorganize staff duties and responsibilities within AOGCC to increase Commission's ability to better carry out its statutory responsibilities.

Statutory and Regulatory Authority

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

Contact Information

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Alaska Oil and Gas Conservation Commission Component Financial Summary

All dollars shown in thousands

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	2,597.1	3,137.7	3,372.0
72000 Travel	154.8	187.2	187.2
73000 Services	1,039.6	1,198.7	1,253.5
74000 Commodities	84.1	43.0	43.0
75000 Capital Outlay	18.8	59.6	59.6
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	3,894.4	4,626.2	4,915.3
Funding Sources:			
1002 Federal Receipts	126.0	207.5	133.5
1007 Inter-Agency Receipts	59.0	0.0	0.0
1162 Alaska Oil & Gas Conservation Commission Rcpts	3,709.4	4,418.7	4,781.8
Funding Totals	3,894.4	4,626.2	4,915.3

Estimated Revenue Collections

Description	Master Revenue Account	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	126.0	207.5	133.5
Interagency Receipts	51015	59.0	0.0	0.0
Oil & Gas Conservation Commission Rcpts	51079	3,709.4	4,418.7	4,781.8
Restricted Total		3,894.4	4,626.2	4,915.3
Total Estimated Revenues		3,894.4	4,626.2	4,915.3

**Summary of Component Budget Changes
From FY2006 Management Plan to FY2007 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2006 Management Plan	0.0	207.5	4,418.7	4,626.2
Adjustments which will continue current level of service:				
-FY 07 Wage Increases for Bargaining Units and Non-Covered Employees	0.0	0.0	56.2	56.2
-FY 07 Health Insurance Cost Increases for Bargaining Units and Non-Covered Employees	0.0	0.0	4.8	4.8
-FY 07 Retirement Systems Cost Increase	0.0	0.0	106.3	106.3
Proposed budget decreases:				
-Federal EPA Grant Receipt Decrease	0.0	-74.0	0.0	-74.0
Proposed budget increases:				
-Risk Management Self-Insurance Funding Increase	0.0	0.0	9.0	9.0
-Add Analyst Programmer IV	0.0	0.0	81.6	81.6
-Add Administrative Assistant	0.0	0.0	55.2	55.2
-Gas Disposition Survey	0.0	0.0	50.0	50.0
FY2007 Governor	0.0	133.5	4,781.8	4,915.3

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

Authorized Positions			Personal Services Costs	
	<u>FY2006</u> <u>Management</u> <u>Plan</u>	<u>FY2007</u> <u>Governor</u>		
Full-time	25	27	Annual Salaries	2,210,868
Part-time	1	1	COLA	59,049
Nonpermanent	1	1	Premium Pay	0
			Annual Benefits	1,087,807
			Less 2.11% Vacancy Factor	(70,724)
			Lump Sum Premium Pay	85,000
Totals	27	29	Total Personal Services	3,372,000

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Clerk I	1	0	0	0	1
Admin Assistant	1	0	0	0	1
Administrative Clerk II	1	0	0	0	1
Administrative Clerk III	1	0	0	0	1
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 Engineer	1	0	0	0	1
Petroleum Geologist Asst	1	0	0	0	1
Petroleum Geologist I	1	0	0	0	1
Petroleum Inspector	4	0	0	2	6
Reservoir Engineer	1	0	0	0	1
Senior Petroleum Engineer	2	0	0	0	2
Senior Petroleum Geologist	1	0	0	0	1
Senior Petroleum Reservoir Eng	1	0	0	0	1
Special Staff Assistant	1	0	0	0	1
Statistical Technician II	2	0	0	0	2
Totals	27	0	0	2	29