State of Alaska
FY2010 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

- Approve and monitor plans for reservoir development and enhanced oil recovery.
- Issue pooling rules and conservation orders.
- Adjudicate permit applications for drilling, completion, and remedial well operations which includes evaluation and adjudication of proposed designs for drilling, well control, casing, cementing and other well completion operations.
- Monitor and enforce well spacing rules, production rates, injection well patterns, gas/oil/water ratios, and pressure maintenance efforts.
- Order the unitized management and operation of underground reservoirs of oil and gas when necessary to ensure greater ultimate recovery.
- Evaluate and regulate gas flaring for waste determinations.
- Administer Alaska's Underground Injection Control (UIC) program and the annular waste disposal program.
- Inspect drill rigs and wells to insure compliance with AOGCC regulations.
- Witness safety valve, mechanical integrity, blowout preventer and diverter tests.
- Witness meter-proving, calibration, and oil quality tests.
- Collect and maintain all oil and gas well history files and well log records.
- Collect and maintain all oil and gas production records.
- Provide information to the public and other governmental agencies.
- Provide technical analysis to other state agencies.
- Approve plans for underground storage of natural gas.

End Result	Strategies to Achieve End Result
A: Ensure safe, efficient recovery and prevent physical waste of Alaska's oil and gas resources. Target #1: Witness at least 40% of all safety valve systems (SVS) tests. Status #1: FY2008, 43% of blowout prevention equipment tests were witnessed by AOGCC. The tests are performed over a three year period. Target #2: Witness at least 15% of blowout prevention equipment (BOPE) tests. Status #2: FY2008, 21% of blowout prevention equipment tests were witnessed by AOGCC. The tests are performed over a three year period.	**A1: Ensure safety of well drilling and control equipment.** Target #1: Witness at least 40% of all safety valve systems (SVS) tests. Status #1: FY2008, 43% of blowout prevention equipment tests were witnessed by AOGCC. The tests are performed over a three year period. Target #2: Witness at least 15% of blowout prevention equipment (BOPE) tests. Status #2: FY2008, 21% of blowout prevention equipment tests were witnessed by AOGCC. The tests are performed over a three year period. Target #3: Witness at least 20% of diverter tests. Status #3: FY2008, 35% of diverter tests were witnessed by AOGCC. The tests are performed over a three year period. **A2: 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. Status #1: FY2008, 0.19% loss of total gas production though flaring and venting with an average loss of 0.197% over the past three years. **A3: Expeditiously 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. Status #1: FY2008, 199 drilling permit applications were reveiwed and adjudicated in an average of 12.9 working days. The average adjudication time for FY08 was severely impacted by incomplete or problem applications submitted by operators. Target #2: Comprehensively review and adjudicate sundry applications in less than 10 working days. Status #2: FY2008, 377 sundry applications were reviewed and adjudicated in an average of 5.5 working days. **A4: Ensure greater ultimate recovery.** Target #1: Guide development of Alaska's oil and gas pools. Status #1: In FY2008, 116 orders and approvals were issued for Alaska's oil and gas pools, a 13.73% increase over FY2007. Target #2: Evaluate development and depletion of 20% of Alaska's oil and gas pools per reporting period. Status #2: FY2008, 38% of active and exploratory pools were evaluated.
End Result	**Strategies to Achieve End Result**
B: Protect Alaska's underground fresh water. Target #1: Witness at least 50% of all mechanical integrity tests (MIT's) performed on existing Class II wells. Status #1: FY2008, 78% of tests performed on existing Class II wells were witnessed by AOGCC and 93.2% of those wells passed. Target #2: Zero incidents that result in contamination of sub-surface water due to oil and gas activities. Status #2: FY2008, zero incidents occurred consistent with the past three years.	**B1: Ensure safe underground injection and annular waste disposal.** Target #1: Witness at least 50% of all mechanical integrity tests (MIT's) performed on existing Class II wells. Status #1: FY2008, 78% of tests performed on existing Class II wells were witnessed by AOGCC and 93.2% of those wells passed. Target #2: Zero incidents that result in contamination of sub-surface water due to oil and gas activities. Status #2: FY2008, zero incidents occurred consistent with the past three years.

FY2010 Resources Allocated to Achieve Results

FY2010 Component Budget: $5,641,500

Personnel:	
Full time	28
Part time	0
Total	28

Performance

A: Result - Ensure safe, efficient recovery and prevent physical waste of Alaska's oil and gas resources.

Target #1: Witness at least 40% of all safety valve systems (SVS) tests.
Status #1: FY2008, 43% of blowout prevention equipment tests were witnessed by AOGCC. The tests are performed over a three year period.

SVS TESTS (% Witnessed by AOGCC)

Fiscal Year	Total SVS Tests	%AOGCC Witnesses	% Components Passed
FY 2008	4810	43%	96.9%
FY 2007	4622	46%	96.1%
FY 2006	4660	46%	96.1%

Methodology: Data source, AOGCC inspections data.

Target #2: Witness at least 15% of blowout prevention equipment (BOPE) tests.
Status #2: FY2008, 21% of blowout prevention equipment tests were witnessed by AOGCC. The tests are performed over a three year period.

BOPE TESTS (% Witnessed by AOGCC)

Fiscal Year	Total BOPE Tests	%AOGCC Witnesses	% Components Passed
FY 2008	731	21%	97.8%
FY 2007	607	19%	97.9%
FY 2006	532	20%	97.7%

Methodology: Data source, AOGCC inspections data.

A1: Strategy - Ensure safety of well drilling and control equipment.

Target #1: Witness at least 40% of all safety valve systems (SVS) tests.
Status #1: FY2008, 43% of blowout prevention equipment tests were witnessed by AOGCC. The tests are performed over a three year period.

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Methodology: Data source, AOGCC inspections data.

Target #2: Witness at least 15% of blowout prevention equipment (BOPE) tests.
Status #2: FY2008, 21% of blowout prevention equipment tests were witnessed by AOGCC. The tests are performed over a three year period.

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FY 2008	731	21%	97.8%
FY 2007	607	19%	97.9%
FY 2006	532	20%	97.7%

Methodology: Data source, AOGCC inspections data.

Target #3: Witness at least 20% of diverter tests.
Status #3: FY2008, 35% of diverter tests were witnessed by AOGCC. The tests are performed over a three year period.

DIVERTER TESTS (% Witnessed by AOGCC)

Fiscal Year	Total Wells Tested	% Witnessed	% components passed
FY 2008	54	35%	98.1%
FY 2007	62	30%	98.3%
FY 2006	62	35%	99.4%

Methodology: Data source, AOGCC inspections data.

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.
Status #1: FY2008, 0.19% loss of total gas production though flaring and venting with an average loss of 0.197% over the past three years.

% GAS PRODUCTION LOST THROUGH FLARING / VENTING

Fiscal Year	Gas Lost (MCF)	Gas Produced (MCF)	Number of Incidents	% Lost
FY 2008	6,717,403	3,494,287,293	676	0.19%
FY 2007	6,717,403	3,201,028,118	677	0.21%
FY 2006	6,834,613	3,599,899,501	716	0.19%

Methodology: Data source, AOGCC production database and flaring/venting incident log.

A3: Strategy - Expeditiously 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.
Status #1: FY2008, 199 drilling permit applications were reveiwed and adjudicated in an average of 12.9 working days. The average adjudication time for FY08 was severely impacted by incomplete or problem applications submitted by operators.

AVERAGE ADJUDICATION FOR DRILLING PERMITS (Work Days)

Fiscal Year	Received	Adjudicated	Avg. Adjudication
FY 2008	209	199	12.9 work days*
FY 2007	199	188	6.4 work days
FY 2006	212	203	6.3 work days

Methodology: Data Source, AOGCC drilling permit application log (10-401 log)
**Methodology: Average adjudication is the number of working days (excluding weekend days and holidays) between the date each application was received and the date the corresponding permit was approved. The average adjudication time for FY08 was severely impacted by incomplete or problem applications submitted by BLM/USGS and several other operators.*

Target #2: Comprehensively review and adjudicate sundry applications in less than 10 working days.
Status #2: FY2008, 377 sundry applications were reviewed and adjudicated in an average of 5.5 working days.

AVERAGE ADJUDICATION FOR SUNDRY APPLICATIONS (Work Days)

Fiscal Year	Received	Adjudicated	Avg. Adjudication
FY 2008	393	378	5.6 work days
FY 2007	411	384	5.2 work days
FY 2006	501	505	3.8 work days

Methodology: Data Source, AOGCC sundry application log (10-403 log)
**Methodology: Average adjudication is the number of working days (excluding weekend days and holidays) between the date each application was received and the date the corresponding sundry was approved.*

A4: Strategy - Ensure greater ultimate recovery.

Target #1: Guide development of Alaska's oil and gas pools.
Status #1: In FY2008, 116 orders and approvals were issued for Alaska's oil and gas pools, a 13.73% increase over FY2007.

NUMBER OF ORDERS / APPROVALS ISSUED

Fiscal Year	Orders & Approvals
FY 2008	116
FY 2007	102
FY 2006	106

Methodology: Data Source, AOGCC "read" drive, count of orders and approvals published during FY08.

Target #2: Evaluate development and depletion of 20% of Alaska's oil and gas pools per reporting period.
Status #2: FY2008, 38% of active and exploratory pools were evaluated.

% OF OIL AND GAS POOLS EVALUATED

Fiscal Year	Actv & Exploratory P	% Evaluated
FY 2008	116	38%*
FY 2007	115	43%*
FY 2006	102	68%

Methodology: Data Source, AOGCC reservoir engineering senior staff.
Methodology: Counts of individual active and exploratory pools evaluated by senior staff engineers.

**Ten exploratory pools were reviewed in FY 2008 and seven exploratory pools were reviewed during FY 2007.*

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

Target #1: Witness at least 50% of all mechanical integrity tests (MIT's) performed on existing Class II wells.
Status #1: FY2008, 78% of tests performed on existing Class II wells were witnessed by AOGCC and 93.2% of those wells passed.

MECHANICAL INTEGRITY TESTS (% Witnessed by AOGCC)

Fiscal Year	Number of Tests	% Witnessed	% Tests Passed
FY 2008	429	78%	93.2%
FY 2007	514	75%	91.4%
FY 2006	521	66%	91.0%

Methodology: Data Source, AOGCC inspections data.

Target #2: Zero incidents that result in contamination of sub-surface water due to oil and gas activities.
Status #2: FY2008, zero incidents occurred consistent with the past three years.

Year	Target	Number of Incidents
2008	0	0
2007	0	0
2006	0	0

Methodology: Data Source, AOGCC senior engineering staff.

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

Target #1: Witness at least 50% of all mechanical integrity tests (MIT's) performed on existing Class II wells.
Status #1: FY2008, 78% of tests performed on existing Class II wells were witnessed by AOGCC and 93.2% of those wells passed.

MECHANICAL INTEGRITY TESTS (% Witnessed by AOGCC)

Fiscal Year	Number of Tests	% Witnessed	% Tests Passed
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FY 2006	521	66%	91.0%

Methodology: Data Source, AOGCC inspections data.

Target #2: Zero incidents that result in contamination of sub-surface water due to oil and gas activities.
Status #2: FY2008, zero incidents occurred consistent with the past three years.

Year	Target	Number of Incidents
2008	0	0
2007	0	0
2006	0	0

Methodology: Data Source, AOGCC senior engineering staff.

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 Pt. Thomson 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.
- Hire a qualified Petroleum Engineer

Significant Changes in Results to be Delivered in FY2010

- Modify Subsurface Safety Valve regulations.
- Modify Annular Disposal regulations.
- Continue to simplify, standardize and consolidate Rules in Commission Orders, to make rules consistent from field to field.
- Continue to develop Commission Rules and Regulations to include coal bed methane, shale gas, and other emerging, non-conventional reservoirs.

- Complete initial studies to determine the potential impacts of major gas sales upon ultimate hydrocarbon recovery from the Pt. Thomson reservoir, and define reservoir depletion plan requirements needed to support allowable gas off-take rates.

- 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.

- 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.

- Revise more AOGCC regulations (20 AAC 25) to eliminate inconsistencies, updated references, and clarified intent.

- 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.

- Assist DNR with construction of a new Geologic Materials Center (GMC).

- Orphaned Wells Study – began statewide study to identify, evaluate, prioritize and eventually remediate all orphaned wells within the State.

- Continue to evaluate ways to increase the AOGCC's efficiency and reduce costs.

Major Component Accomplishments in 2008

- Prudhoe Evaluation – completed a geologic and engineering evaluation of Prudhoe field in order to properly understand this important and undeveloped resource.

- Completed a comprehensive revision to the Alaska Oil and Gas Conservation Act (31.05)

- Continued to oversee and administer the Federal UIC program in Alaska.

- Completed major enforcement actions and numerous incident investigations.

- Revised some of the AOGCC regulations (20 AAC 25) to eliminate inconsistencies, updated references, and clarified intent.

- Continued to evaluate and issue approvals for a large number of sub-surface oil and gas operations in an efficient and timely manner.

- Continued converting AOGCC's public well history files and oil and gas information into digital form and maximizing the amount of public information available through the Internet. This has streamlined our internal handling of data and is reshaping our permitting processes.

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

	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	3,332.5	3,608.9	3,684.8
72000 Travel	156.0	187.2	195.2
73000 Services	1,249.4	2,893.6	1,585.8
74000 Commodities	65.8	33.7	110.7
75000 Capital Outlay	0.0	59.6	65.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	**4,803.7**	**6,783.0**	**5,641.5**
Funding Sources:			
1002 Federal Receipts	127.2	133.7	134.5
1004 General Fund Receipts	368.0	1,450.6	0.0
1162 Alaska Oil & Gas Conservation Commission Rcpts	4,308.5	5,198.7	5,507.0
Funding Totals	**4,803.7**	**6,783.0**	**5,641.5**

Estimated Revenue Collections

Description	Master Revenue Account	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Unrestricted Revenues				
Unrestricted Fund	68515	490.4	0.0	0.0
Unrestricted Total		**490.4**	**0.0**	**0.0**
Restricted Revenues				
Federal Receipts	51010	127.2	133.7	134.5
Oil & Gas Conservation Commission Rcpts	51079	4,797.5	5,198.7	5,507.0
Restricted Total		**4,924.7**	**5,332.4**	**5,641.5**
Total Estimated Revenues		**5,415.1**	**5,332.4**	**5,641.5**

Summary of Component Budget Changes
From FY2009 Management Plan to FY2010 Governor

All dollars shown in thousands

	General Funds	Federal Funds	Other Funds	Total Funds
FY2009 Management Plan	**1,450.6**	**133.7**	**5,198.7**	**6,783.0**
Adjustments which will continue current level of service:				
-FY2010 Wage and Health Insurance Increases for Bargaining Units with Existing Agreements	0.0	0.8	75.1	75.9
Proposed budget decreases:				
-ADN 02-09-0026, AOGCC Gasline Project, Sec 20(a), Ch3, FSSLA 2005, P106, L21, lapse 6/30/09	-1,450.6	0.0	0.0	-1,450.6
Proposed budget increases:				
-Operational Cost Increases	0.0	0.0	233.2	233.2
FY2010 Governor	**0.0**	**134.5**	**5,507.0**	**5,641.5**

Alaska Oil and Gas Conservation Commission
Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2009 Management Plan	FY2010 Governor		
Full-time	28	28	Annual Salaries	2,539,359
Part-time	0	0	COLA	49,840
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	1,146,959
			Less 3.65% Vacancy Factor	(136,358)
			Lump Sum Premium Pay	85,000
Totals	**28**	**28**	**Total Personal Services**	**3,684,800**

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Assistant I	1	0	0	0	1
Administrative Clerk II	1	0	0	0	1
Administrative Clerk III	1	0	0	0	1
Administrative Officer II	1	0	0	0	1
Analyst/Programmer III	1	0	0	0	1
Analyst/Programmer IV	1	0	0	0	1
Commissioner, Oil and Gas Comm	3	0	0	0	3
Executive Secretary II	1	0	0	0	1
Natural Resource Tech II	1	0	0	0	1
Petroleum Geologist Asst	1	0	0	0	1
Petroleum Inspector	3	0	0	3	6
Senior Petroleum Engineer	3	0	0	0	3
Senior Petroleum Geologist	2	0	0	0	2
Senior Reservoir Engineer	2	0	0	0	2
Special Assistant To Comm I	1	0	0	0	1
Statistical Technician II	2	0	0	0	2
Totals	**25**	**0**	**0**	**3**	**28**