

State of Alaska FY2005 Governor's Operating Budget

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

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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

- Issue pooling rules and conservation orders.
- Approve and monitor plans for reservoir development and enhanced oil recovery.
- Approve permits for drilling, completion, and remedial well operations. This includes the evaluation and approval of proposed designs for drilling, well control, casing, cementing and other well completion operations.
- 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.
- Monitor and enforce well spacing rules, production rates, injection well pattern, gas/oil/water ratios, and pressure maintenance efforts.
- Evaluate and regulate gas flaring for waste determinations.
- Collect and maintain all oil and gas production records.
- Provide information and technical analysis to other state agencies.
- 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.

End Results	Strategies to Achieve Results
<p>(1) Prevent physical waste of the resource.</p> <p><u>Target:</u> Zero oil and gas well blowouts while drilling. <u>Measure:</u> % of permitted wells resulting in a blowout.</p> <p><u>Target:</u> Zero discharges greater than 10 Barrels of Oil from producing oil wells. <u>Measure:</u> % of total oil wells with discharges of greater than 10BO.</p> <p><u>Target:</u> Less than 0.5 % flaring of total gas production. <u>Measure:</u> Flaring % of total gas production.</p> <p><u>Target:</u> Ensure maximum hydrocarbon recovery from the Prudhoe Bay Unit and Point Thomson Unit while reducing impact on recovery of liquid hydrocarbon (up to 500 million barrels). <u>Measure:</u> Most likely oil loss that is estimated by up to date reservoir modeling.</p> <p>(2) Ensure greater ultimate recovery.</p> <p><u>Target:</u> Increased oil and gas production. <u>Measure:</u> Total oil and gas production.</p> <p><u>Target:</u> Discovery of new oil and gas reserves in Alaska per year. (This is mainly DNR's Target. Reserve amounts very difficult to predict). <u>Measure:</u> Number and average reserves of new</p>	<p>(1) Evaluate drilling programs to ensure proper well design, construction and well control equipment; test and inspect BOPE's and diverters.</p> <p><u>Target:</u> Over 95% of drilled oil & gas wells are in compliance. <u>Measure:</u> % of drilling oil and gas wells in compliance.</p> <p><u>Target:</u> Less than 90% of completions require remediation. <u>Measure:</u> % of completions requiring remediation.</p> <p><u>Target:</u> Kicks occur on less than 5% of drilling wells. <u>Measure:</u> % of drilled wells where a kick occurred.</p> <p><u>Target:</u> Witness diverter tests on all exploration wells and on 20% of the total tests. <u>Measure:</u> % of diverter tests witnessed and % of diverter tests which failed.</p> <p><u>Target:</u> Witness 100% of BOPE tests after installation of surface casing and at least 1 test on 50% of all wells drilled. <u>Measure:</u> % BOPE tests witnessed and % and BOPE tests which failed.</p> <p>(2) Ensure that producing wells are operated under best engineering practices and that well control equipment integral to the well is operational by</p>

End Results	Strategies to Achieve Results
<p>discoveries.</p> <p>(3) Protect Alaska's sub-surface fresh water.</p> <p><u>Target:</u> Zero incidents that result in contamination of sub-surface water due to oil and gas activities. <u>Measure:</u> Number of incidents resulting in contamination.</p> <p>(4) Protect correlative rights.</p> <p><u>Target:</u> Zero violations of correlative rights. <u>Measure:</u> % of correlative rights violated related to oil and gas operations.</p>	<p>inspection of production & injection wells to verify compliance with approved regulations and procedures.</p> <p><u>Target:</u> Witness at least 25% of all safety valve system tests. <u>Measure:</u> % of safety valve system tests witnessed.</p> <p><u>Target:</u> Failure rate of less than 10% of the safety valve systems. <u>Measure:</u> % of safety valve system tests failed.</p> <p><u>Target:</u> Witness 50% of all mechanical integrity tests (MIT's) performed on existing class II wells and 100% of MIT's performed on new injection wells. Target pass rate is 90%. <u>Measure:</u> % of total mechanical integrity tests witnessed.</p> <p><u>Target:</u> % of mechanical integrity tests pass. <u>Measure:</u> % of mechanical integrity tests that failed.</p> <p>(3) Ensure that minimal gas waste due to flaring of producing oil and gas wells occurs.</p> <p><u>Target:</u> % of flaring/venting incidents resulting in penalties is less than 5%. <u>Measure:</u> Number of incidents evaluated. % of incidents resulting in penalties.</p> <p>(4) Ensure that operator is conducting appropriate reservoir evaluation prior to major gas sales.</p> <p><u>Target:</u> Complete evaluation by 7/1/06. <u>Measure:</u> % of project completion.</p> <p>(5) Encourage all present and potential producers to increase both near-term and long-term production.</p> <p><u>Target:</u> Require and approve reservoir development proposals, including plans for enhanced oil recovery operations and gas development. Analyze production data to ensure oil and gas fields are being operated to result in greater ultimate recovery of the resource. <u>Measure:</u> Number of studies performed by AOGCC to ensure greater ultimate recovery of oil and gas resources.</p> <p><u>Target:</u> Expedite evaluation and approval of drilling and work over permits. <u>Measure:</u> The average time the commission takes to process permits.</p> <p>(6) Encourage investment in Alaska by new and present oil companies.</p> <p><u>Target:</u> Help to increase industry presence in Alaska. <u>Measure:</u> % change in number of new oil & gas investors.</p>

End Results	Strategies to Achieve Results
	<p><u>Target:</u> Help to increase the % of new exploration wells. <u>Measure:</u> Number of exploration wells.</p> <p><u>Target:</u> Information requests increase by 20%/year. <u>Measure:</u> Number of information requests fulfilled.</p> <p>(7) Administer Alaska's Underground Injection Control (UIC) program and the annular waste disposal program.</p> <p><u>Target:</u> Provide engineering and geological review of 100% of applications for underground disposal of drilling wastes and 100% of applications to drill oil and gas wells. <u>Measure:</u> % and number of UIC actions reviewed (it has always been 100%. The number of reviews would be an important measure of work output).</p> <p>(8) Provide all owners of oil and gas rights the opportunity to recover their fair share of the resource through well spacing provisions and pooling authority.</p> <p><u>Target:</u> Provide engineering and geological review of all applications for underground disposal of drilling wastes and to drill oil and gas wells. <u>Measure:</u> Number of exceptions requested and reviewed and % approved.</p>

FY2005 Resources Allocated to Achieve Results							
<p>FY2005 Component Budget: \$4,107,100</p>	<p>Personnel:</p> <table> <tr> <td>Full time</td> <td>24</td> </tr> <tr> <td>Part time</td> <td>1</td> </tr> <tr> <td>Total</td> <td>25</td> </tr> </table>	Full time	24	Part time	1	Total	25
Full time	24						
Part time	1						
Total	25						

Performance Measure Detail

(1) Result: Prevent physical waste of the resource.

Target: Zero oil and gas well blowouts while drilling.
Measure: % of permitted wells resulting in a blowout.

Target: Zero discharges greater than 10 Barrels of Oil from producing oil wells.
Measure: % of total oil wells with discharges of greater than 10BO.

Target: Less than 0.5 % flaring of total gas production.
Measure: Flaring % of total gas production.

Target: Ensure maximum hydrocarbon recovery from the Prudhoe Bay Unit and Point Thomson Unit while reducing impact on recovery of liquid hydrocarbon (up to 500 million barrels).

Measure: Most likely oil loss that is estimated by up to date reservoir modeling.

(2) Result: Ensure greater ultimate recovery.

Target: Increased oil and gas production.

Measure: Total oil and gas production.

Target: Discovery of new oil and gas reserves in Alaska per year. (This is mainly DNR's Target. Reserve amounts very difficult to predict).

Measure: Number and average reserves of new discoveries.

(3) Result: Protect Alaska's sub-surface fresh water.

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

Measure: Number of incidents resulting in contamination.

(4) Result: Protect correlative rights.

Target: Zero violations of correlative rights.

Measure: % of correlative rights violated related to oil and gas operations.

(1) Strategy: Evaluate drilling programs to ensure proper well design, construction and well control equipment; test and inspect BOPE's and diverters.

Target: Over 95% of drilled oil & gas wells are in compliance.

Measure: % of drilling oil and gas wells in compliance.

Target: Less than 90% of completions require remediation.

Measure: % of completions requiring remediation.

Target: Kicks occur on less than 5% of drilling wells.

Measure: % of drilled wells where a kick occurred.

Target: Witness diverter tests on all exploration wells and on 20% of the total tests.

Measure: % of diverter tests witnessed and % of diverter tests which failed.

Target: Witness 100% of BOPE tests after installation of surface casing and at least 1 test on 50% of all wells drilled.

Measure: % BOPE tests witnessed and % and BOPE tests which failed.

(2) Strategy: Ensure that producing wells are operated under best engineering practices and that well control equipment integral to the well is operational by inspection of production & injection wells to verify compliance with approved regulations and procedures.

Target: Witness at least 25% of all safety valve system tests.

Measure: % of safety valve system tests witnessed.

Target: Failure rate of less than 10% of the safety valve systems.

Measure: % of safety valve system tests failed.

Target: Witness 50% of all mechanical integrity tests (MIT's) performed on existing class II wells and 100% of MIT's performed on new injection wells. Target pass rate is 90%.

Measure: % of total mechanical integrity tests witnessed.

Target: % of mechanical integrity tests pass.

Measure: % of mechanical integrity tests that failed.

(3) Strategy: Ensure that minimal gas waste due to flaring of producing oil and gas wells occurs.

Target: % of flaring/venting incidents resulting in penalties is less than 5%.

Measure: Number of incidents evaluated.

% of incidents resulting in penalties.

(4) Strategy: Ensure that operator is conducting appropriate reservoir evaluation prior to major gas sales.

Target: Complete evaluation by 7/1/06.

Measure: % of project completion.

(5) Strategy: Encourage all present and potential producers to increase both near-term and long-term production.

Target: Require and approve reservoir development proposals, including plans for enhanced oil recovery operations and gas development. Analyze production data to ensure oil and gas fields are being operated to result in greater ultimate recovery of the resource.

Measure: Number of studies performed by AOGCC to ensure greater ultimate recovery of oil and gas resources.

Target: Expedite evaluation and approval of drilling and work over permits.

Measure: The average time the commission takes to process permits.

(6) Strategy: Encourage investment in Alaska by new and present oil companies.

Target: Help to increase industry presence in Alaska.

Measure: % change in number of new oil & gas investors.

Target: Help to increase the % of new exploration wells.

Measure: Number of exploration wells.

Target: Information requests increase by 20%/year.

Measure: Number of information requests fulfilled.

(7) Strategy: Administer Alaska's Underground Injection Control (UIC) program and the annular waste disposal program.

Target: Provide engineering and geological review of 100% of applications for underground disposal of drilling wastes and 100% of applications to drill oil and gas wells.

Measure: % and number of UIC actions reviewed (it has always been 100%. The number of reviews would be an important measure of work output).

(8) Strategy: Provide all owners of oil and gas rights the opportunity to recover their fair share of the resource through well spacing provisions and pooling authority.

Target: Provide engineering and geological review of all applications for underground disposal of drilling wastes and to drill oil and gas wells.

Measure: Number of exceptions requested and reviewed and % approved.

Key Component Challenges

- Assist in expanded statewide exploration and development, including National Petroleum Reserve-Alaska (NPR) and exploration licensing areas that are outside the historic 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 coal bed methane and shallow gas resources.
- Continue to evaluate conservation issues associated with any large-scale gas off-take proposal for the Prudhoe Bay Field.
- Update and maintain the Commission's audit and compliance capability.
- Continue to develop electronic data storage and retrieval capability for improved information access, management and e-commerce.
- Maintain an active role to protect Alaska's 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 while ensuring that recovery of oil and gas resources is maximized.

Significant Changes in Results to be Delivered in FY2005

- The AOGCC has joined the Coal Bed Methane Guideline Team, a multi-agency task force headed by DNR to formulate policy for more complete oversight before the moratorium on drilling coal bed methane and shallow gas exploration wells is lifted.
- The AOGCC is taking over funding of the Geologic Materials Center (GMC) from the Department of Natural

Resources. The AOGCC is the natural operator of the GMC because the AOGCC is mandated to store and provide oil and gas data and industry is the primary user of the center.

- The AOGCC is working with EPA to establish functional requirements for wells involved in disposal injection service. The 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 a Class II well.
- The AOGCC is the chief repository for subsurface oil and gas related information in the state. The Commission is in the process of converting all of its information into digital form in order to distribute it through the Internet. This effort is an important preliminary step to eventually conducting most of its business online. With the initiation of e-business the AOGCC will be able to efficiently reshape *much of* its business processes, expand the marketplace for Alaskan oil and gas opportunities, and improve the business environment for Alaskan oil and gas operators. Large portions of this project are funded through grants from DOE and the Ground Water Protection Council.
- The AOGCC has embarked on a study to determine if organizational changes can significantly reduce its budget.

Major Component Accomplishments in 2003

- Significantly reduced time to evaluate and issue approvals for a relatively large number of sub-surface oil and gas operations.
- Continued to efficiently oversee the UIC program and to exercise a national voice regarding state management of underground injection and ground water protection.
- In cooperation with the Department of Natural Resources, continued to utilize a \$1.4MM 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. A large data grant from industry augmented the project. This will encourage additional new development in Alaska.
- Continued to implement document-imaging program, which will allow improved information management and access by all AOGCC clients.
- Continued to refine the oil and gas relational database for management of well data making it more compatible with AOGCC business processes to allow for improved information management and access.
- Continued evaluation of the conservation issues (maximization of oil recovery) associated with the sale of Prudhoe Oil Pool gas.
- Enacted rules regulating sustained casing pressures in Prudhoe Bay Field. Working on a project to enact rules for 12 other oil and gas fields.

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

	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	2,623.8	2,763.5	2,677.4
72000 Travel	128.6	214.0	187.2
73000 Contractual	820.4	1,148.6	1,152.1
74000 Supplies	96.5	35.6	30.8
75000 Equipment	30.9	71.1	59.6
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	3,700.2	4,232.8	4,107.1
Funding Sources:			
1002 Federal Receipts	119.3	119.9	125.6
1162 Alaska Oil & Gas Conservation Commission Rcpts	3,580.9	4,112.9	3,981.5
Funding Totals	3,700.2	4,232.8	4,107.1

Estimated Revenue Collections

Description	Master Revenue Account	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
Unrestricted Revenues				
Unrestricted Fund	68515	11.8	0.0	0.0
Unrestricted Total		11.8	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	119.3	119.9	125.6
Oil & Gas Conservation Commission Rcpts	51079	3,580.9	4,112.9	3,981.5
Restricted Total		3,700.2	4,232.8	4,107.1
Total Estimated Revenues		3,712.0	4,232.8	4,107.1

**Summary of Component Budget Changes
From FY2004 Authorized to FY2005 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2004 Authorized	0.0	119.9	4,112.9	4,232.8
Adjustments which will continue current level of service:				
-Changes to Retirement and Other Personal Services Rates	0.0	5.7	113.7	119.4
Proposed budget decreases:				
-Staff Reduction and Related Expenses	0.0	0.0	-245.1	-245.1
FY2005 Governor	0.0	125.6	3,981.5	4,107.1

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

Authorized Positions		Personal Services Costs		
	FY2004 Authorized	FY2005 Governor		
Full-time	27	24	Annual Salaries	1,912,308
Part-time	1	1	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	679,619
			<i>Less 2.49% Vacancy Factor</i>	(64,527)
			Lump Sum Premium Pay	150,000
Totals	28	25	Total Personal Services	2,677,400

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Clerk I	1	0	0	0	1
Administrative Clerk III	1	0	0	0	1
Administrative Manager II	1	0	0	0	1
Analyst/Programmer I	1	0	0	0	1
Analyst/Programmer IV	1	0	0	0	1
Commissioner, Oil and Gas Comm	3	0	0	0	3
Petroleum Engineer	2	0	0	0	2
Petroleum Geologist Asst	1	0	0	0	1
Petroleum Geologist I	1	0	0	0	1
Petroleum Inspector	6	0	0	0	6
Reservoir Engineer	1	0	0	0	1
Senior Petroleum Engineer	1	0	0	0	1
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	25	0	0	0	25