

State of Alaska
FY2009 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 include 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.
- Approve plans for underground storage of natural gas.
- 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.

End Result	Strategies to Achieve End Result
<p>A: Ensure safe, efficient recovery and prevent physical waste of Alaska's oil and gas resources.</p> <p><u>Target #1:</u> Witness at least 15% of blowout prevention equipment (BOPE) tests. <u>Measure #1:</u> % of BOPE tests witnessed by AOGCC inspectors.</p> <p><u>Target #2:</u> Witness at least 40% of all safety valve systems (SVS) tests. <u>Measure #2:</u> % of SVS tests witnessed by AOGCC inspectors.</p>	<p>A1: Ensure safety of well drilling and control equipment.</p> <p><u>Target #1:</u> Witness at least 20% of diverter tests. <u>Measure #1:</u> % of diverter tests witnessed by AOGCC inspectors.</p> <p><u>Target #2:</u> 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> 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 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: Ensure greater ultimate 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>
End Result	Strategies to Achieve End Result
<p>B: Protect Alaska's underground fresh water.</p> <p><u>Target #1:</u> 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>	<p>B1: Ensure safe underground injection and annular waste disposal.</p> <p><u>Target #1:</u> 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>

FY2009 Resources Allocated to Achieve Results	
<p>FY2009 Component Budget: \$5,230,900</p>	<p>Personnel:</p>
	<p>Full time 28</p>
	<p>Part time 0</p>
	<p>Total 28</p>

Performance Measure Detail

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

Target #1: Witness at least 15% of blowout prevention equipment (BOPE) tests.

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

BOPE TESTS (% Witnessed by AOGCC)

Year	Total BOPE Tests	%AOGCC Witnesses	% Components Passed
FY 2005	490	19%	98.0%
FY 2006	532	20%	97.7%
FY 2007	607	19%	97.9%

Target #2: Witness at least 40% of all safety valve systems (SVS) tests.

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

SVS TESTS (% Witnessed by AOGCC)

Year	Total SVS Tests	%AOGCC Witnesses	% Components Passed
FY 2005	4567	45%	96.2%
FY 2006	4660	46%	96.1%
FY 2007	4622	46%	96.1%

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

Target #1: Witness at least 20% of diverter tests.

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

DIVERTER TESTS (% Witnessed by AOGCC)

Year	Total Wells Tested	% Witnessed	% components passed
FY 2005	63	27%	99.2%
FY 2006	62	35%	99.4%
FY 2007	62	30%	98.3%

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

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

BOPE TESTS (% Witnessed by AOGCC)

Year	Total BOPE Tests	%AOGCC Witnesses	% Components Passed
FY 2005	490	19%	98.0%
FY 2006	532	20%	97.7%
FY 2007	607	19%	97.9%

Target #3: 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)

Year	Total SVS Tests	%AOGCC Witnesses	% Components Passed
FY 2005	4567	45%	96.2%
FY 2006	4660	46%	96.1%
FY 2007	4622	46%	96.1%

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

Year	Gas Lost (MCF)	Gas Produced (MCF)	Number of Incidents	% Lost
FY 2005	6,447,503	3,649,887,187	694	0.18%
FY 2006	6,834,613	3,599,899,501	716	0.19%
FY 2007	6,717,403	3,201,028,118	677	0.21%

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)

Year	Received	Adjudicated	Avg. Adjudication
FY 2005	406	384	4.1 work days
FY 2006	501	505	3.8 work days
FY 2007	411	384	5.2 work days

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)

Year	Received	Adjudicated	Avg. Adjudication
FY 2005	406	384	4.1 work days
FY 2006	501	505	3.8 work days
FY 2007	411	384	5.2 work days

A4: Strategy - Ensure greater ultimate 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

Year	Orders & Approvals
FY 2005	98
FY 2006	106
FY 2007	102

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

Year	Actv & Exploratory Pools	% Evaluated
FY 2005	100	40%
FY 2006	102	68%
FY 2007	115*	43%

*Seven exploratory pools were reviewed during FY2007.

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

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

MECHANICAL INTEGRITY TESTS (% Witnessed by AOGCC)

Year	Number of Tests	% Witnessed	% Tests Passed
FY 2005	339	75%	92.0%
FY 2006	521	66%	91.0%
FY 2007	514	75%	91.4%

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.

Year	Target	Number of Incidents
2005	0	0
2006	0	0
2007	0	0

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

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

MECHANICAL INTEGRITY TESTS (% Witnessed by AOGCC)

Year	Number of Tests	% Witnessed	% Tests Passed
FY 2005	339	75%	92.0%
FY 2006	521	66%	91.0%
FY 2007	514	75%	91.4%

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.

Year	Target	Number of Incidents
2005	0	0
2006	0	0
2007	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.
- Modify Subsurface Safety Valve regulations.
- Continue to simplify, standardize and consolidate Rules in Commission Orders, to make rules consistent from field to field.

Significant Changes in Results to be Delivered in FY2009

- Expand Commission Rules 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.
- 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 2007

- Held the South Central Alaska Energy Forum at the Egan Center. This was attended by the Governor, industry, academic, government and public representatives.
- Completed the Prudhoe Bay Gas Sales Study.
- Supreme Court affirmed the Superior Court in Allen, Danco, et al vs. AOGCC & ConocoPhillips.
- Pt. Thomson Evaluation – began geologic and engineering evaluation of Pt. Thomson field in order to properly understand this important and undeveloped resource.
- Orphaned Wells Study – began statewide study to identify, evaluate, prioritize and eventually remediate all orphaned wells within the State.
- Continued to oversee and administer the Federal UIC program in Alaska.
- Completed major enforcement actions and numerous incident investigations.
- Revised the AOGCC regulations (20 AAC 25) to eliminate inconsistencies, updated references, and clarified intent.
- The AOGCC hosted the Annual GWPC Board of Directors in Anchorage, in conjunction with the Alaska Oil and Gas Association.
- Risk Based Data Management System (RBDMS) Annual Training – AOGCC hosted the national meeting for the RBDMS training meeting for the RBDMS system. Over 20 representatives from 11 States attended this annual national training meeting at AOGCC's office to exchange information and ideas.
- 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

	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	3,254.9	3,400.7	3,507.4
72000 Travel	134.9	187.2	187.2
73000 Services	1,106.0	2,681.6	1,433.7
74000 Commodities	86.1	43.0	43.0
75000 Capital Outlay	0.0	59.6	59.6
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	4,581.9	6,372.1	5,230.9
Funding Sources:			
1002 Federal Receipts	131.7	133.6	133.6
1004 General Fund Receipts	234.1	1,447.9	0.0
1162 Alaska Oil & Gas Conservation Commission Rcpts	4,216.1	4,790.6	5,097.3
Funding Totals	4,581.9	6,372.1	5,230.9

Estimated Revenue Collections

Description	Master Revenue Account	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Unrestricted Revenues				
Unrestricted Fund	68515	563.6	0.0	0.0
Unrestricted Total		563.6	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	131.7	133.6	133.6
Oil & Gas Conservation Commission Rcpts	51079	4,216.1	4,790.6	5,097.3
Restricted Total		4,347.8	4,924.2	5,230.9
Total Estimated Revenues		4,911.4	4,924.2	5,230.9

**Summary of Component Budget Changes
From FY2008 Management Plan to FY2009 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2008 Management Plan	1,447.9	133.6	4,790.6	6,372.1
Adjustments which will continue current level of service:				
-Correct Unrealizable Fund Sources for Salary Adjustments: Exempt	0.0	-0.1	0.1	0.0
-Reverse AOGCC Gasline Project, Sec 20(a), Ch 3, FSSLA 05, P106, lapse 6/30/08	-447.9	0.0	0.0	-447.9
-Reverse AOGCC Gas Pipeline Project, Sec 13(a), SLA 2007, Ch 30, P 146, L 14	-1,000.0	0.0	0.0	-1,000.0
-FY 09 Health Insurance Increases for Exempt Employees	0.0	0.1	4.0	4.1
-FY 09 Bargaining Unit Contract Terms: General Government Unit	0.0	0.0	24.3	24.3
Proposed budget increases:				
-Senior Petroleum Engineers, Geologists, and Reservoir Engineers Salary Adjustment	0.0	0.0	278.3	278.3
FY2009 Governor	0.0	133.6	5,097.3	5,230.9

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

Authorized Positions		Personal Services Costs		
	<u>FY2008</u> <u>Management</u> <u>Plan</u>	<u>FY2009</u> <u>Governor</u>		
Full-time	28	28	Annual Salaries	2,450,634
Part-time	0	0	COLA	22,510
Nonpermanent	1	1	Premium Pay	0
			Annual Benefits	1,092,302
			<i>Less 4.01% Vacancy Factor</i>	<i>(143,046)</i>
			Lump Sum Premium Pay	85,000
Totals	29	29	Total Personal Services	3,507,400

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Assistant I	1	0	0	0	1
Administrative Clerk II	2	0	0	0	2
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	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
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	26	0	0	3	29