

AOGCC Gas Studies FY2010 Progress and Future Work

At the beginning of FY2010 the AOGCC had \$1.5 million of the multi year operating appropriation (AR 3559-10) available. The entire amount of a capital appropriation, (AR 7699-12) \$1.5 million is unexpended and remains available.

The multi year operating appropriation originated in SLA 2005, Chapter 3, Sec. 20 (a), where \$1.2 million was appropriated. SLA 2007, Chapter 30, Sec. 13 (c) increased the amount to \$2.2 million. Sec. 61 (d) of this same chapter extended the lapse date to June 30, 2008. SLA 2008, Chapter 29, Sec. 34 (a) extended the lapse date to June 30, 2009. SLA 2009, Chapter 14, Sec. 4 extended the lapse date to June 30, 2010.

The FY2010 expenditures are as follows:

Gaffney, Cline & Associates

9/11/2009	\$54,230.00
10/6/2009	\$3,795.00
10/9/2010	\$44,785.00
12/14/2010	\$16,790.00
1/13/2010	\$2,385.00

TOTAL \$121,985.00

During FY2010 the Commission and its contractor Gaffney, Cline & Associates, expects to complete the data gathering and initial analysis of the existing reservoir data for the Thomson Sand in the Point Thomson Unit (PTU) as well as an independent reservoir simulation model based on the existing data. This will include geologic and reservoir simulation models based on data gathered from the existing exploration wells in the unit but will likely not include any new data from the wells being drilled as part of the ongoing PTU Initial Production System (IPS) since the drilling and testing of those wells will not likely be completed prior to FY2011. During FY2010 the Commission also expects to start gathering new information on the Prudhoe Bay Unit (PBU) based on a revised reservoir model created by the PBU owners. This is valuable because it will enable the Commission to understand this complex reservoir better, to anticipate additional information necessary to make appropriate determinations on pool rules and gas offtake, to respond timely on such rulings, and to advise legislators and others on important considerations in major gas sales planning.

Currently, \$228,363.64 is encumbered. The funding will be used to continue work with the contractor Gaffney, Cline & Associates as described above.

For FY2011 we are requesting that \$1,150,900 be appropriated. This is the amount of the previous GF gas pipeline funding appropriation that is estimated to be unexpended and unobligated at June 30, 2010. During FY2011 the Commission expects to complete work on the PTU reservoir study including

incorporating geologic and well testing information from the initial 2 wells, the producer/injector pair, being drilled as part of the IPS. The Commission also expects to continue to gather data from the new PBU reservoir models and may employ a contractor to help us analyze the new data and incorporate it into our existing studies.

Beyond FY2011 the Commission expects to incorporate production data from the IPS, which isn't expected to come online until 2014, into our analysis of the PTU and to gather and analyze updated information on PBU, such as data on new wells and pre-gas sales depletion planning, as it becomes available. If other productive reservoirs in the PTU are discovered the Commission will also evaluate and incorporate information from them in our analyses. Also, any other oil reservoir expected to contribute gas to major gas sales (such as Kuparuk, Lisburne, or even an as-yet-undiscovered reservoir) will need a similar analysis to that done for Prudhoe Bay and Pt Thomson.

Additionally, at some point in FY2011 and/or future years the Commission will likely hold hearings on gas offtake allowables for the PBU and PTU and pool rules for the PTU that would require the Commission to call upon the contractor for the PBU major gas study that was completed in 2007 and the contractor for the ongoing PTU reservoir study to provide testimony as expert witnesses.

The Commission has considered the pros and cons of relinquishing existing funds and feels strongly that it is important to have the funds available when needed so that the Commission does not create delays in the forward progress of major gas sales by having to reacquire the funds necessary to complete future tasks, which are certain to be required.