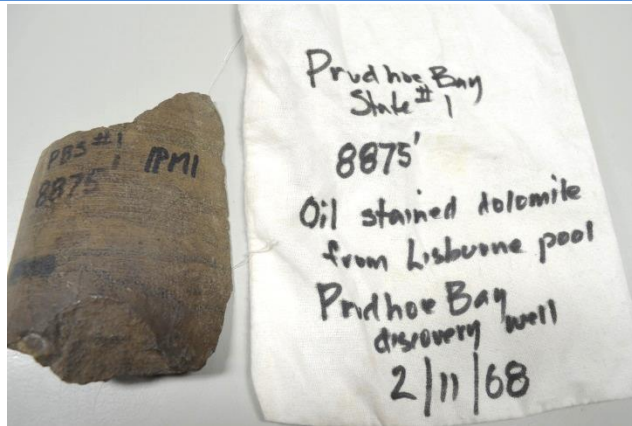


# Department of Natural Resources

Division of Oil and Gas – Acting Director Paul Decker

## Confidentiality Overview

Senate Resources Committee  
January 26, 2015



# OVERVIEW

- Most records of the Division are public
- Only limited kinds of information are maintained as confidential – and only when confidentiality is explicitly permitted by law
- Confidentiality is not presumed or taken for granted just because an entity or company claims information is confidential
- DNR implements the balance struck by the legislature – more confidentiality provides more information for the State's use, while more disclosure promotes transparency



# STATUTES AND REGULATIONS

## - DIVISION OF OIL AND GAS -

Under the Alaska Public Records Act (AS 40.25), agency records are public documents unless stated otherwise in law

DNR's primary confidentiality statute is AS 38.05.035(a)(8), which permits six categories of information to be kept confidential:

- Names of nominators or applicants for land disposals
- Names of bidders and bid values (which allows for "sealed" bidding)
- Geological, Geophysical, and Engineering (GG&E) data
- Financial information
- Right-of-way applications
- Information about public agency land planning

The Division also receives confidential data from the Department of Revenue under AS 43.05.230 to aid in the adjudication of tax matters related to oil and gas activity

There are additional confidentiality statutes applied by the Division:

- Royalty Audits – AS 38.05.036
- Royalty Board – AS 38.06.060



# TYPES OF CONFIDENTIAL DATA

## - DIVISION OF OIL AND GAS -

As a practical matter, confidential information primarily comes to the Division as:

- GG&E data
  - Lease and exploration license obligations
  - Miscellaneous Land Use Permit (MLUP) requirements of 11 AAC 96
  - Unit & Participating Area applications
  - Exploration Incentive Credit projects under AS 38.05.180(i)
  - DOR tax credit exploration projects under AS 43.55.023 and .025
- Financial information
  - DR&R
  - Royalty Modification
  - DOR tax filings and supplemental reports
  - Major projects (e.g., gas pipeline projects)
  - Net Profit Share audits
  - Royalty sales contracts and invoices



# VALUE OF CONFIDENTIALITY

## - DIVISION OF OIL AND GAS -

- Over the decades, confidentiality has allowed the Division to amass and use vast quantities of critical data that would have been impossible for the State to generate
- The Division needs this kind of data to fully evaluate both:
  - the subsurface geology
    - *Area-wide, basin-scale exploration potential*
    - *The attributes of individual producing reservoirs*
  - the commercial environment
    - *The viability and liability of projects*
    - *the full value of the State's share (royalty, net profit share, etc.)*
- In some cases, the ability to maintain confidentiality allows the Division to request and receive more than the legally required data submissions from companies
- Diligently protecting confidentiality is critical to maintaining our ability to continue to obtain the data we rely on to manage our lands effectively



# HOW CONFIDENTIAL DATA IS USED

## - LIFE CYCLE CASE STUDIES -

Various types of confidential data arrive in the Division from different sources, for various reasons, and are stored and used by different sections

### **Example #1: Seismic data submitted under DOG permit requirements.**

Permanent confidentiality, used exclusively by Resource Evaluation Section

- Data is inventoried to a database – including multiple components and file types
- Copy is made to secure network, original digital media is retained in vault
- Data is loaded, quality checked, and prepared for interpretation software
- Secure data back-up is maintained
- Data is used for interpretation and subsurface mapping, as well as integration and reconciliation with older survey data and well constraints
- These confidential interpretations inform technical recommendations on lease sales, unitization applications, reservoir management decisions, etc. – whether impacting the data owner or other companies
- The data is permanently retained within the Division – and is useful forever



# HOW CONFIDENTIAL DATA IS USED

## - LIFE CYCLE CASE STUDIES -

**Example #2: North Slope exploration well data submitted pursuant to DOR tax credits at AS 43.55.025.** Temporary confidentiality (assumes well is not on private land), used by Resource Evaluation Section

- Data is inventoried to a database – including *all* the well data collected, not only what AOGCC regulations require to be submitted
- Copy is made to secure network, original media is retained in vault
- Data is loaded, quality checked, and prepared for interpretation software
- Secure data back-up is maintained
- Data reviewed and interpreted as needed to integrate new information into the existing data and inform technical recommendations on exploration potential, lease sales, unitization, etc.
- Data set prepared for public release by DNR (including data types that may not become available through AOGCC release)
- Release is approximately two years after completion, abandonment, or suspension of well, and the data is then available to the Division and the public in perpetuity



# HOW CONFIDENTIAL DATA IS USED

## - LIFE CYCLE CASE STUDIES -

### **Example #3: Financial data obtained for royalty audits under AS**

#### **38.05.036.** Permanent confidentiality, used primarily by Royalty Audit Section

- Data is obtained from lessees during the audit or before audit commences.
- Copy to secure network and backup is maintained.
- Data is then used to:
  - Analyze lessee's confidential sales contracts, invoices and other information to verify the field prices received for operations and activities
  - Analyze other producers' confidential information in context
  - Compare lessee's field prices to other producers' field prices to determine "higher of" values for audit claims
- The data is retained indefinitely within the Division, and may be useful in future audits or needed for resolving appeals.



# HOW CONFIDENTIAL DATA IS USED

## - LIFE CYCLE CASE STUDIES -

**Example #4: Financial data submitted in support of a royalty modification application.** Permanent confidentiality, used primarily by the Commercial Section

- Digital data is secured in a network folder; hardcopy originals filed in vault
- Staff utilize both paper and digital copies of the information
- Data is used to construct economic models of potential projects that attempt to identify resource and economic risks
- Data and the models are used to evaluate the application, prepare preliminary findings, respond to public comments as necessary, and then issue the final findings on the application.
- Permanent data retention within the Division – useful forever.



# CONCLUSION

- Only limited kinds of information are maintained as confidential – and they must be explicitly identified and approved in law
- Confidentiality allows the State to benefit from utilizing data without putting the data owners at a disadvantage relative to competitors.
- Most confidential data within DOG is either GG&E or financial information
- Different kinds of data are governed by different laws, and the life cycle, handling, and use of data depends on its type and legal restrictions
- Ability to maintain data confidentiality enables the Division to understand the subsurface resources and commercial landscape needed to make the best possible resource management decisions.

