

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS STANDING COMMITTEE

April 20, 2006

3:37 p.m.

MEMBERS PRESENT

Senator Gene Therriault, Chair
Senator Thomas Wagoner, Vice Chair
Senator Charlie Huggins
Senator Bettye Davis
Senator Kim Elton

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CS FOR HOUSE BILL NO. 300(O&G)

"An Act relating to the qualifications of the member of the Alaska Oil and Gas Conservation Commission who need not be certified, trained, or experienced in either the field of petroleum engineering or the field of petroleum geology."

HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 300

SHORT TITLE: OIL & GAS CONSERVATION COMMISSION MEMBER

SPONSOR(S): REPRESENTATIVE(S) KOHRING

05/04/05	(H)	READ THE FIRST TIME - REFERRALS
05/04/05	(H)	O&G, RES
01/24/06	(H)	O&G AT 5:00 PM CAPITOL 124
01/24/06	(H)	Moved CSHB 300(O&G) Out of Committee
01/24/06	(H)	MINUTE(O&G)
01/25/06	(H)	O&G RPT CS(O&G) 5DP 1NR
01/25/06	(H)	DP: GUTTENBERG, SAMUELS, DAHLSTROM, ROKEBERG, KOHRING;
01/25/06	(H)	NR: GARDNER
02/15/06	(H)	RES AT 1:00 PM CAPITOL 124
02/15/06	(H)	Moved CSHB 300(O&G) Out of Committee
02/15/06	(H)	MINUTE(RES)
02/17/06	(H)	RES RPT CS(O&G) 2DP 1NR 4AM
02/17/06	(H)	DP: SAMUELS, RAMRAS;
02/17/06	(H)	NR: CRAWFORD;

02/17/06 (H) AM: GATTO, SEATON, ELKINS, LEDOUX
03/22/06 (H) TRANSMITTED TO (S)
03/22/06 (H) VERSION: CSHB 300(O&G)
03/24/06 (S) READ THE FIRST TIME - REFERRALS
03/24/06 (S) STA, RES
04/20/06 (S) STA AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

Representative Vic Kohring
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Sponsor of HB 300

John Norman, Chair
Alaska Oil and Gas Conservation Commission
Anchorage, AK
POSITION STATEMENT: Testified in support of HB 300

ACTION NARRATIVE

CHAIR GENE THERRIAULT called the Senate State Affairs Standing Committee meeting to order at [3:37:03 PM](#). Present were Senators Thomas Wagoner, Charlie Huggins, Kim Elton, Bettye Davis and Chair Gene Therriault.

HB 300-OIL & GAS CONSERVATION COMMISSION MEMBER

CHAIR GENE THERRIAULT announced that HB 300 would be the first order of business. He asked Representative Kohring to present the bill.

[3:37:31 PM](#)

REPRESENTATIVE VIC KOHRING, Sponsor of HB 300, stated that because of the complexity and expansion of the oil and gas industry, the public seat on the Alaska Oil and Gas Conservation Commission (AOGCC) ought to have at least some understanding of the industry. He noted that there are three seats on the AOGCC and two require expertise in the field. Currently the third seat doesn't require any kind of petroleum background. He argued that the third position ought not be a wide-open spot with the opportunity for on-the-job training.

If the person doesn't have fundamental knowledge he or she would have to learn from scratch. He drew a parallel to the standards for the Regulatory Commission of Alaska and said it makes sense to hold AOGCC to the same standard.

[3:40:23 PM](#)

SENATOR KIM ELTON asked about the administration's position.

REPRESENTATIVE KOHRING responded the administration didn't have a problem with the bill after he changed the requirement to a fundamental knowledge of the industry as opposed to specific knowledge.

SENATOR ELTON asked what fundamental knowledge means.

REPRESENTATIVE KOHRING replied that is intentionally generic and vague so that the governor is able to make the determination.

SENATOR ELTON commented without a definition it provides a loophole and gives the governor absolute discretion to appoint whomever.

[3:43:24 PM](#)

JOHN NORMAN, Chair, Alaska Oil and Gas Conservation Commission (AOGCC), testified that the bill would further the goal of having knowledgeable and responsible oil and gas regulation in Alaska.

Giving background on the AOGCC, he explained that it is one of the oldest and most important regulatory commissions in the state. The AOGCC was created in 1955 in a remarkable and forward thinking legislative act. The commission consists of three commissioners who are appointed by the governor and confirmed by the Legislature for staggered six-year terms.

Under current statute, one commission member is required to be a petroleum engineer, the second must be a geologist with petroleum experience, and the third position requires no particular training or experience. The commission has jurisdiction over all oil and gas wells drilled in the state and its work is becoming increasingly complex as the industry changes. The commission has the authority to conduct subpoena hearings, engage in rule making and to adjudicate and resolve disputes among conflicting owners of oil and gas rights. It can impose penalties and can order unitization of pools and integration of interests to avoid multiplicity of facilities and to ensure greater recovery of oil and gas resources.

MR. NORMAN opined that the change proposed in HB 300 is in keeping and is a step in the right direction. He noted that the

commission website has a detailed description of the powers and duties.

[3:48:58 PM](#)

SENATOR ELTON noted that legislators aren't required to have specific experience or knowledge in a particular arena but that the list of legislative duties is similar. He suggested that the notion of having a public member who has no specific experience gives the governor the opportunity to appoint someone from "outside the box." Also, the three commissioners have a staff of 20 or 21 people most of which have specific expertise. Just as legislators deal with highly qualified staff on complex issues, he questioned whether there isn't value in having AOGCC commissioners do the same.

MR. NORMAN said the comparison is valid, but legislators are required to deal with a broad range of issues while the AOGCC is a very specialized agency. On a daily basis there is at least one permit and numerous applications and conservation orders. There isn't time for on the job training, but this doesn't mean that a commissioner must come from the industry and have an industry mindset.

[3:55:17 PM](#)

SENATOR WAGONER observed that sometimes it's the person with the least amount of knowledge that asks the best questions because having everyone thinking on the same track isn't always the most beneficial. Noting that AOGCC has a tremendous staff, he said someone who is accustomed to analyzing information and making decisions might be more effective than someone who is more familiar with the industry. He questioned whether the commissioners didn't rely heavily on staff.

MR. NORMAN responded staff does give recommendations, but decisions are ultimately up to the three commissioners. If the third commissioner doesn't have experience he or she will be severely handicapped and Alaska won't be well served in the long run, he opined.

CHAIR THERRIAULT asked whether the bill is addressing a past problem or a potential problem.

MR. NORMAN replied the bill addresses a potential future problem. Over the years the third commissioner has by and large met the requirements set forth in the bill. He reiterated that commissioners could obtain experience without working directly in the industry.

The bill doesn't craft tight sideboards; it allows future governors and Legislatures considerable latitude to make a determination on qualification.

[4:03:59 PM](#)

CHAIR THERRIAULT recapped the questions Senator Elton and Senator Wagoner had raised and asked the sponsor if the administration would oppose the legislation as originally written.

REPRESENTATIVE KOHRING said the administration requested more generic language and he complied.

CHAIR THERRIAULT noted that the original bill contained specific requirements that didn't necessarily speak to a background in oil and gas, but that the current requirements call for a fundamental understanding of the industry. He asked why there was a change in emphasis from a background in business to one in oil and gas.

REPRESENTATIVE KOHRING replied in hindsight he would have worded the bill differently to include a background in the petroleum industry.

[4:08:27 PM](#)

SENATOR ELTON voiced the concern that without a definition for "fundamental understanding" there is the opportunity for 61 different interpretations. He asked the sponsor to think about how to avoid that difficulty.

SENATOR CHARLIE HUGGINS asked if this would preclude the former mayor of Wasilla from serving on the commission.

REPRESENTATIVE KOHRING said it probably would, but the bill isn't directed at past members.

SENATOR HUGGINS noted that the position is well compensated, which might draw candidates, but if the language were tightened the administration and the other commissions might not be as supportive.

REPRESENTATIVE KOHRING said that is his assumption.

CHAIR THERRIAULT asked if the director of Boards and Commissions would screen and filter the applicants before the names were submitted to the administration.

REPRESENTATIVE KOHRING replied he would expect that to be the case.

CHAIR THERRIAULT announced he would hold the bill. He asked Mr. Norman if the language designating the three positions was established in 1979.

MR. NORMAN said yes; Legislator Irene Ryan, a geologist, inserted that language. At Statehood the commission had a petroleum engineer a geologist and a third member from Union Oil management. Reflecting on the 40-year history, he said the commissioners have typically had experience in the industry. However, the appointees without experience in the industry have not been a problem, he said.

CHAIR THERRIAULT expressed interest in when the designations for the positions were made.

MR. NORMAN said he would provide the specific dates, but he recalled that sometime in the mid 1960s it was recognized that a certain level of expertise was important. The majority of past commissioners had training in the industry and that is what industry expects, he asserted.

CHAIR THERRIAULT said he would ask his staff to work with the sponsor to find out why the policy call was made requiring no specific training, experience or knowledge before making the suggested change.

REPRESENTATIVE KOHRING said he would help gather the history.

CHAIR THERRIAULT held HB 300 in committee.

There being no further business to come before the committee, Chair Therriault adjourned the meeting at [4:20:19 PM](#).