

**HB**

**414**

# Title 31. Oil and Gas.

## Chapter

- 05. Alaska Oil and Gas Conservation Act (§§ 31.05.005 — 31.05.170)
- 15. Common Purchasers of Oil (§§ 31.15.010 — 31.15.050)
- 30. Miscellaneous Provisions (§ 31.30.010)

**Revisor's notes.** — The provisions of this title were redrafted in 1985 to remove personal pronouns pursuant to § 4, ch. 58 SLA 1985, and to make other minor word changes.

## Chapter 05. Alaska Oil and Gas Conservation Act.

### Article

- 1. Administration (§§ 31.05.005 — 31.05.080)
- 2. Regulation of Operations (§§ 31.05.090 — 31.05.120)
- 3. General Provisions (§§ 31.05.150 — 31.05.170)

**Revisor's notes.** — Under § 5, ch. 158, SLA 1978, references in this chapter to the Department of Natural Resources have been changed to Alaska Oil and Gas Conservation Commission, except in AS 31.05.026. which mandates the conservation of oil and gas and prohibits their waste, would not be contravened by a local coastal management plan which comports with the Alaska Coastal Management Program, May 12, 1980, Op. Att'y Gen.

**Opinions of attorney general.** — This chapter,

## Article 1. Administration.

### Section

- 05. Alaska Oil and Gas Conservation Commission created
- 07. Term of office; vacancy; removal
- 09. Qualifications of members
- 11. Quorum
- 13. Oath of office
- 15. Compensation of members of the commission
- 17. Principal office; seal
- 21. Legal counsel
- 23. Commission staff
- 25. Conflict of interest

### Section

- 26. Relationship to Department of Natural Resources
- 27. Land subject to commission's authority
- 30. Powers and duties of commission
- 35. Confidential reports
- 40. Regulations and orders
- 50. Notice
- 60. Action by commission
- 70. Attendance and testimony of witnesses
- 80. Hearings and appeals

### Sec. 31.05.005. Alaska Oil and Gas Conservation Commission created.

(a) There is created as an independent quasi-judicial agency of the state the Alaska Oil and Gas Conservation Commission, composed of three commissioners appointed by the governor and confirmed by the legislature in joint session.

(b) The governor shall designate one member of the commission as chair of the commission. This member shall serve as chair for a term of four years, but may not be appointed for successive terms as chair of the commission. ( § 1 ch 158 SLA 1978; am § 1 ch 61 SLA 1992)

**Cross references.** — For initial application of the amendment to (b) of this section by § 1, ch. 61, SLA 1992, see § 2, ch. 61, SLA 1992 in the Temporary and Special Acts.

**Effect of amendments.** — The 1992 amendment, effective September 10, 1992, in subsection (b), substituted "chair" for "chairman" in two places, and, in

# Alaska State Legislature

1995-1996 LEGISLATIVE YEAR  
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Representative Joe Green  
District 10  
House Majority Leader

## Sponsor Statement

### HB 414 – Qualifications for AOGCC

From statehood until November 1995, the group responsible for oil and gas conservation in Alaska included a petroleum engineer. Performance of the core functions for which the present-day Alaska Oil & Gas Conservation Commission (AOGCC) is charged – prevention of waste, protection of correlative rights, and maximization of recovery – requires among other things, a thorough understanding of porosity, permeability, stratigraphy, faulting, reservoir pressure, and reservoir drive mechanism(s). These are the core disciplines of petroleum engineering, and require the technical analysis that only a qualified petroleum engineer can provide. Unfortunately, since November 1995, the commission, which represents the people of the State of Alaska, has not had the benefit of a qualified petroleum engineer to participate in the oversight of these types of conservation operations.

HB 414 clarifies the statutory requirements for service on the AOGCC. As written, one member of the commission will be required to be registered as a petroleum engineer, or have education in the field of petroleum engineering along with subsurface experience in drilling, well operations, production process operations, reservoir engineering, or a combination thereof. Additionally, one member will be required to hold a certificate as a petroleum geologist, have earned a degree in the field of geology from an accredited university, and have field experience in the field of geology.

Alaska has been blessed with wealth derived from our hydrocarbon resources. In order to continue this flow of wealth, we must have qualified, capable people to properly conserve and manage our resources to the highest possible standards.

FISCAL NOTE

Version: CSHB 414 (O&G)  
(H) Publish Date: 3/15/00

STATE OF ALASKA  
2000 LEGISLATIVE SESSION

Revision Date: 3/8/00  
Title: Oil & Gas Conservation Commission  
Sponsor: Rep. Joe Green  
Requester: House Special Committee on Oil & Gas

Dept. Affected: None  
BRU: \_\_\_\_\_  
Component: \_\_\_\_\_  
Component Serial No.: \_\_\_\_\_

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ( )						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY00) cost: \_\_\_\_\_

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Janis A. Beckler - Oil Gas Committee Aide

Phone: 465-2283

Phone: \_\_\_\_\_

Date: 3/8/00

the second sentence, inserted "not" following "may" and added "as chair of the commission" to the end.

**Sec. 31.05.007. Term of office; vacancy; removal.** (a) The term of office of each member is six years. A commissioner, upon the expiration of a term, shall continue to hold office until a successor is appointed and qualified.

(b) A vacancy arising in the office of a commissioner shall be filled by appointment by the governor and confirmed by the legislature in joint session, and, except as provided in AS 39.05.080(4), an appointee selected to fill a vacancy shall hold office for the balance of the full term for which the predecessor on the commission was appointed.

(c) A vacancy in the commission does not impair the authority of a quorum of commissioners to exercise all the powers and perform all the duties of the commission.

(d) The governor may remove a commissioner from office for cause including but not limited to incompetence, neglect of duty or misconduct in office. A commissioner, to be removed for cause, shall be given a copy of the charges and afforded an opportunity to be publicly heard in person or by counsel in the commissioner's own defense upon not less than 10 days' notice. If a commissioner is removed for cause, the governor shall file with the lieutenant governor a complete statement of all charges made against the commissioner and the governor's finding based on the charges, together with a complete record of the proceedings. (§ 1 ch 158 SLA 1978; am § 10 ch 168 SLA 1990; am § 10 ch 80 SLA 1996)

**Effect of amendments.** — The 1990 amendment, effective June 22, 1990, deleted the former second sentence of subsection (a), which related to the terms of initial appointees.

The 1996 amendment, effective January 1, 1997, in

subsection (b), inserted ". except as provided in AS 39.05.080(4)". For provisions of subsection (b) in effect before January 1, 1997, see the October 1995 Supplement for AS 31.

**Sec. 31.05.009. Qualifications of members.** Members shall be qualified as follows: one member shall be a licensed professional engineer with educational and professional background in the field of petroleum engineering; one member shall be a geologist with educational and professional background in the field of petroleum geology; one member need not be trained and experienced in the fields of petroleum engineering or petroleum geology. (§ 1 ch 158 SLA 1978)

*Sec. 31.05.010. Application. [Repealed by § 4 ch 158 SLA 1978.]*

**Sec. 31.05.011. Quorum.** Two members of the commission constitute a quorum for the transaction of business, for the performance of a duty, or for the exercise of a power of the commission. (§ 1 ch 158 SLA 1978)

**Sec. 31.05.013. Oath of office.** Each commissioner, before entering upon the duties of office, shall take and subscribe to the oath prescribed for principal officers of the state. (§ 1 ch 158 SLA 1978)

**Sec. 31.05.015. Compensation of members of the commission.** Members of the commission are in the exempt service and shall receive an annual salary. (§ 1 ch 158 SLA 1978)

**Sec. 31.05.017. Principal office; seal.** (a) The commission shall establish a principal office and branch office: necessary to discharge its business efficiently. For the convenience of the public or of parties to a proceeding the commission may hold meetings, hearings or other proceedings at other locations.

(b) The commission shall have an official seal. (§ 1 ch 158 SLA 1978)

*Sec. 31.05.020. [Renumbered as AS 31.05.095.]*

## **oil and gas conservation commission**

### **Commission History**

The Alaska Oil and Gas Conservation Act (1955) created the Alaska Oil and Gas Conservation Commission (AOGCC or Commission). The Commission was composed of the Governor of the Territory of Alaska, the Territorial Commissioner of Mines, and the Territorial Highway Engineer. Rules and regulations governing Commission activities became effective on October 1, 1958.

Under the State Organization Act of 1959, the Oil and Gas Conservation Commission was abolished, its function and authority transferred to the Department of Natural Resources, Division of Mines and Minerals. A group within the department was designated to hold hearings and issue decisions on oil and gas matters. This group was the Alaska Oil and Gas Conservation Committee which consisted of the Director of the Division of Mines and Minerals (Chairman), the State Petroleum Geologist, the State Petroleum Engineer, and the Deputy Commissioner of the Department of Natural Resources.

In 1968 the Division of Oil and Gas was created within the Department on Natural Resources. The new division arose from the Petroleum Branch of the Division of Mines and Minerals. The Alaska Oil and Gas Committee was placed within the new division, and consisted of the Director, Chief Petroleum Geologist, and Chief Petroleum Engineer. In 1976 the word "conservation" was added to the division's title, and it became the Division of Oil and Gas Conservation.

With the advent of production from Prudhoe Bay in 1977, the Legislature became concerned that there was the appearance of a conflict of interest with the Department of Natural Resources, an owner of oil and gas rights, also acting as the regulator of other owners of oil and gas rights. To obviate its concern, the Legislature amended AS 31.05 by Chapter 158, SLA 1978 to restore the Commission, effective January 1, 1979, as an independent quasi-judicial agency within the executive branch of the state. Initially, the new Commission was housed within the Department of Natural Resources, but in 1980 it was transferred to the Department of Commerce and Economic Development. More recently, Governor Hickel transferred the Commission to the Department of Administration on February 17, 1994.

#### **Commissioner Terms of Office**

**[AOGCC Home Page](#)**

**[AOGCC Webmaster](#)**

[howard\\_okland@admin.state.ak.us](mailto:howard_okland@admin.state.ak.us)

## oil and gas conservation commission

### COMMISSIONERS - TERMS IN OFFICE

<b>Petroleum Engineer</b>	<b>Geologist</b>	<b>Public Member</b>
<b>Hoyle H. Hamilton</b>	<b>Harry W. Kugler</b>	<b>Lonnie C. Smith</b>
Jan 1, 1979 to Dec 31, 1981	Jan 1, 1979 to May 15, 1986	Jan 1, 1979 to Jul 1, 1992
<b>C. V. "Chat" Chatterton</b>	<b>William W. Barnwell</b>	<b>Leigh Griffin</b>
Jan 18, 1982 to Aug 1, 1990	Jul 1, 1986 to Aug 11, 1988	Sep 9, 1992 to Feb 6, 1993
<b>Russell A. Douglass</b>	<b>David W. Johnston</b>	<b>Tuckerman Babcock</b>
Nov 26, 1990 to Nov 17, 1995	Jan 19, 1989 to Jan 12, 2000	Jun 1, 1993 to Dec 31, 1996
<b>J. David Norton, P.E.</b>	<b>Dan Seamount</b>	<b>Mary Marshburn</b>
Nov 20, 1995 to May 7, 1996	Jan 13, 2000 to Present	Jan 1, 1997 to May 9, 1997
<b>Robert Christenson</b>		<b>Camille Oechsli Taylor</b>
May 9, 1997 to Present		Sep 1, 1997 to Present

[Staff Directory](#)

[Commission History](#)

[AOGCC Home Page](#)

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March 28, 2000

Senate Resources Committee  
Legislature of the State of Alaska

**RE: HB 414(CS) "An Act relating to the qualifications of the members of the Alaska Oil and Gas Conservation Commission"**

Dear Chairman Halford:

I am writing in reference to HB 414 (CS) that is currently before your committee. I oppose the bill because:

- The bill dilutes the requirement that the engineer appointed to the Commission be a licensed Professional Engineer, which would imply that the Legislature does not support the code of ethical conduct and the commitment to uphold standards that provide safeguards to the public that is implicit in the licensing of Professional Engineers.
- The bill excludes Professional Engineers with applicable experience in the Alaskan oil and gas industry from qualification as Commissioner.
- The bill narrows the requirements of the position to a limited area of the Commission's charter, namely requiring "downhole" subsurface engineering experience only, which limits qualified candidates to the detriment of the best interest of the people of Alaska.

Requirements for the engineer seat should be clear and plain, and leave room for discretion in future appointments and confirmations. The candidate should have broad experience in the Alaskan oil and gas industry. Only in this way will the best and brightest available candidates be available to serve the public.

The following information expands on my opinion that this bill is overly prescriptive to the detriment of the public interest, tries to fix something that is not broken, and should not be enacted.

**The Commissioner is not required to be a licensed Professional Engineer**

A licensed Professional Engineer connotes a level of public trust and ethical behavior that is key to public service. Allowing non-licensed engineers to be qualified is a step backwards and dilutes the level of competency, code of ethics, and commitment to upholding standards that safeguard the people of the State that mark the licensing of Professional Engineers.

Professional staff at the Commission are required to be licensed Professional Engineers in the state of Alaska. The Commissioner position should require no less a qualification.

**Professional Engineers with a background in Alaskan oil and gas are not qualified**

The existing qualification is that the commissioner be a licensed Professional Engineer with a background in petroleum engineering. This requirement is sufficiently broad to allow licensed Professional Engineers with an oil and gas background to qualify.

Changing the requirement to limit the position to a licensed petroleum engineer would likely not provide a better or more comprehensive pool of candidates. Conversely, it would most likely result in a smaller pool of candidates no better qualified than the those currently qualified and probably would result in the best available candidates excluded.

It is significant to note that the current Commission chairman holding the engineer seat would not qualify under this bill.

Petroleum engineering is a broad field populated with practitioners from a variety of technical disciplines, including mechanical, chemical and civil engineering, and from the sciences of physics, geology, chemistry and materials science. Many practicing petroleum engineers have degrees in these areas and may be licensed in other fields of engineering. For example, my alma mater, Rice University, is one of the top engineering schools in the nation and it does not even offer a degree program in petroleum engineering. I am a licensed Professional Engineer in civil engineering, and my career and background has been in oil and gas.

The field of petroleum engineering covers a spectrum of technical areas including drilling, reservoir mechanics, and surface equipment, processes and delivery. Practicing petroleum engineers are usually specialists in only one of these areas and it is unlikely that a licensed petroleum engineer would have expertise in all of these areas.

**The Commissioner is limited to narrow technical qualifications**

Overly prescriptive "downhole" experience requirements focus on only one area of the Commission's broad responsibilities. While the Commission does deal with subsurface matters, this area of expertise should not be the sole criteria for qualifying an individual. This bill would restrict the focus of the appointment to only one area of the Commission's purview and would result in an inappropriately narrow view represented on the Commission that is not in the State's best interest.

The Commission is responsible for a wide variety of matters related to oil and gas exploration and development. Given the broad range of the Commission's functions, an individual with an engineering background in the design and operation of oil and gas production facilities would be as well suited as a reservoir specialist.

I use a personal experience to illustrate my point. I served as an appointed commissioner to the Alaska Oil and Gas Conservation Commission for seven months in 1995/1996. During my tenure the Commission held hearings on further unitization of the Prudhoe Bay Field. This issue was probably the most important issue the Commission has ever taken up, as it went to the heart of the matter as to the best way to deplete the largest oil field in North America. The issue turned not only on drilling or reservoir mechanics, but substantially on surface facilities and the optimum use of oil and gas facilities for ultimate maximum resource recovery.

On this issue, I believe my expertise and background, as a former engineering manager for Alyeska Pipeline Service Company, was uniquely beneficial for the State's interest. In my previous positions, I had direct exposure to conflicting North Slope oil company priorities regarding production allocations, metering, and crude stream composition. I was able to bring a broad view of each oil company's motivations and culture to the deliberations that helped bring the issue into focus for the Commission. I was able to provide a technical understanding of the challenges of field development, based on my background in design and operation of surface facilities and transportation of oil and gas.

#### Summary

Today, more than ever, the Commission's efforts are focused on the challenges of managing a mature industry where sharing of common facilities to best utilize multiple fields create new issues. Restricting qualifications for commissioners more narrowly than required only reduces the pool of talented people willing to serve the State and ultimately provides a disservice to the people of Alaska, who rely on government to look after their interests in the development of the State's oil and gas resources.

Respectfully submitted,



J. David Norton, P.E.

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Copies to:

AOGCC Commissioners Oechsli, Christenson, Seamount  
Members, Board of Registration for Engineers, Architects, and Land Surveyors



## *Alaska Society of Professional Engineers*

Anchorage Chapter P.O. Box 244123 Anchorage, AK 99524

April 14, 2000

Senate Resources Committee  
Legislature of the State of Alaska  
State Capital Building  
Juneau, AK  
99801

APR 15 2000

**RE: HB 414(CS) "An Act relating to the qualifications of the members of the Alaska Oil and Gas Conservation Commission"**

Dear Chairman Halford:

I am the president of the Anchorage Chapter of the Alaska Society of Professional Engineers (ASPE). During our April 13, 2000 meeting, we discussed at length the referenced bill. By vote of a motion, I am writing this letter to inform you that Anchorage Chapter of ASPE does not support this bill as proposed. We object to the language of the bill that enables non-registered engineers, that is engineers who are not certified by the State of Alaska as Professional Engineers, to hold the engineer's seat on the commission.

ASPE is a statewide organization under the National Society of Professional Engineers. As such, one of our missions is to promote registration of engineers. However, we recognize that not all engineers need be registered to perform their jobs.

In this case though, we believe that there is a conflict between the language of the proposed bill and the commission's role, which is to represent the public interest's in matters of oil and gas. The primary responsibility of professional engineers, and the reason the State licenses professional engineers is to protect the public's health safety and welfare. The commission's engineering member must be registered as a professional engineer in order to assure that the public's health, safety, and welfare are held paramount. Failure to require a registered professional for the engineering member of the commission would also be contrary to the intent of the licensing regulations.

We ask that you rewrite the proposed bill to require that the commission's engineering member be a professional engineer registered in the State of Alaska.

Thank you for considering our request.

Arnold N. Harder, P.E.  
President, Anchorage Chapter ASPE

CC: Mark Musial, Secretary/Treasurer ASPE  
anhletterhead.doc

# SENATE COMMITTEE REPORT

DATE: 3/23/00

FURTHER:

DATE TURNED  
IN TO OFFICE: 4/19/00

Resources Committee considered

CS FOR HOUSE BILL NO. 414(O&G)

"An Act relating to the appointment and qualifications of the members of the Alaska Oil and Gas Conservation Commission; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:
- same title
  - new title
- House Bill:
- same title
  - technical title
  - new: SCR# \_\_\_\_\_

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
		<i>John L. Taylor</i>	✓		
		<i>Lydia Hessel</i>	✓		
		<i>Pat Kelly</i>	✓		
		<i>Deanna Lind</i>	✓		
CHAIR:		CHAIR: <i>Rich Halford</i>	✓		

**NEW FISCAL NOTE(S):**

Department                      Date      Zero      Fiscal

Department	Date	Zero	Fiscal

**PREVIOUS FISCAL NOTE(S):\***

Department                      Date      Zero      Fiscal

Department	Date	Zero	Fiscal
H/O&G Cmte	3/8/00	0	

#2 HOUSE

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill