

HB

69



# ALASKA STATE LEGISLATURE

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## REPRESENTATIVE VIC KOHRING DISTRICT 14

### SPONSOR STATEMENT

#### HB 69

House Bill 69 is legislation that clarifies the Alaska Oil and Gas Conservation Commission's (AOGCC) authority to regulate the state's shallow and unconventional natural gas resources, including allowing for variances from AOGCC's general regulatory requirements in certain cases. Alaska possesses tremendous shallow natural gas resources, such as shallow coal bed methane gas. Production involves extraction of methane gas from coal deposits lying at relatively shallow depths of about 3,000 feet. In Cook Inlet alone, there is an estimated 1.5 trillion tons of coal, with an estimated 200 trillion cubic feet of coal bed methane. Two hundred trillion cubic feet of gas is enough to supply U.S. natural gas requirements for more than eight years. The entire state has coal-bed methane resources estimated at 1,000 trillion cubic feet, not including natural gas from tight sands also in place across Alaska.

Statewide, these resources are abundant and widely distributed. They hold the promise of bringing a much cleaner, locally-produced, alternative energy source to areas of rural Alaska long dependent upon diesel or fuel oil barged in from distant sources for heat and power. Production of coal-bed methane and other forms of shallow natural gas development also has little effect on the environment. A typical well is drilled in two to three days, and advanced drilling technology uses simple air to drill a well, greatly reducing drilling wastes. Further, wells are lined and cemented from top to bottom which protects groundwater, and as no oil is present, there is no risk of an oil spill. Once in production, the "footprint" of a typical well is less than one acre.

Despite such promise and benefits, shallow natural gas and coal bed methane are still expensive to develop. Such projects are very sensitive to development and production costs which include the costs of safety and excessive regulations. Shallow natural gas is being regulated as though it is a deep hole, high-pressured reservoir such as on the North Slope. In fact, shallow gas wells are more like low-pressure water wells that produce gas. Therefore, the purpose of HB 69 is to ensure that the AOGCC has the authority and discretion necessary to regulate such projects in an appropriate manner, suited specifically to the nature and characteristics of shallow natural gas development projects, while also providing for human safety and environmental protection.

# FISCAL NOTE

STATE OF ALASKA  
2003 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: HB 69  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
Title An Act relating to regulation of shallow BRU Alaska Oil & Gas Cons. Com  
natural gas Component Alaska Oil & Gas Cons. Com  
Sponsor Rep. Kohring  
Requester (H) Spec Committee on Oil & Gas Component No. 2010

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<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	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
<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 (FY2003) cost: 0.0  
Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Zero fiscal impact.

Prepared by: Cammy Taylor Phone \_\_\_\_\_  
Division Alaska Oil and Gas Conservation Commission Date/Time 2/6/03 10:56 AM  
Approved by: Mike Miller Date 2/6/2003  
Agency Department of Administration

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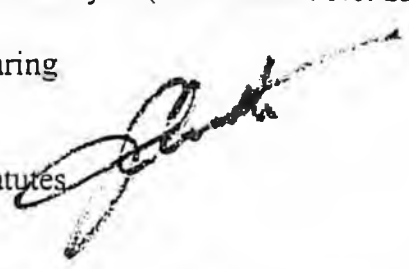
## MEMORANDUM

January 29, 2003

**SUBJECT:** House Bill 69, relating to the regulation of shallow natural gas leasing and closely related energy projects; and providing for an effective date -- sectional analysis (Work Order No. 23-LS0428\A)

**TO:** Representative Vic Kohring

**FROM:** Jack Chenoweth  
Assistant Revisor of Statutes



Under AS 31.05, the Alaska Oil and Gas Conservation Commission regulates a wide range of activities involving the production of natural gas. The chapter contemplates that the full commission, or a quorum of it, will take final action in all matters under its jurisdiction.

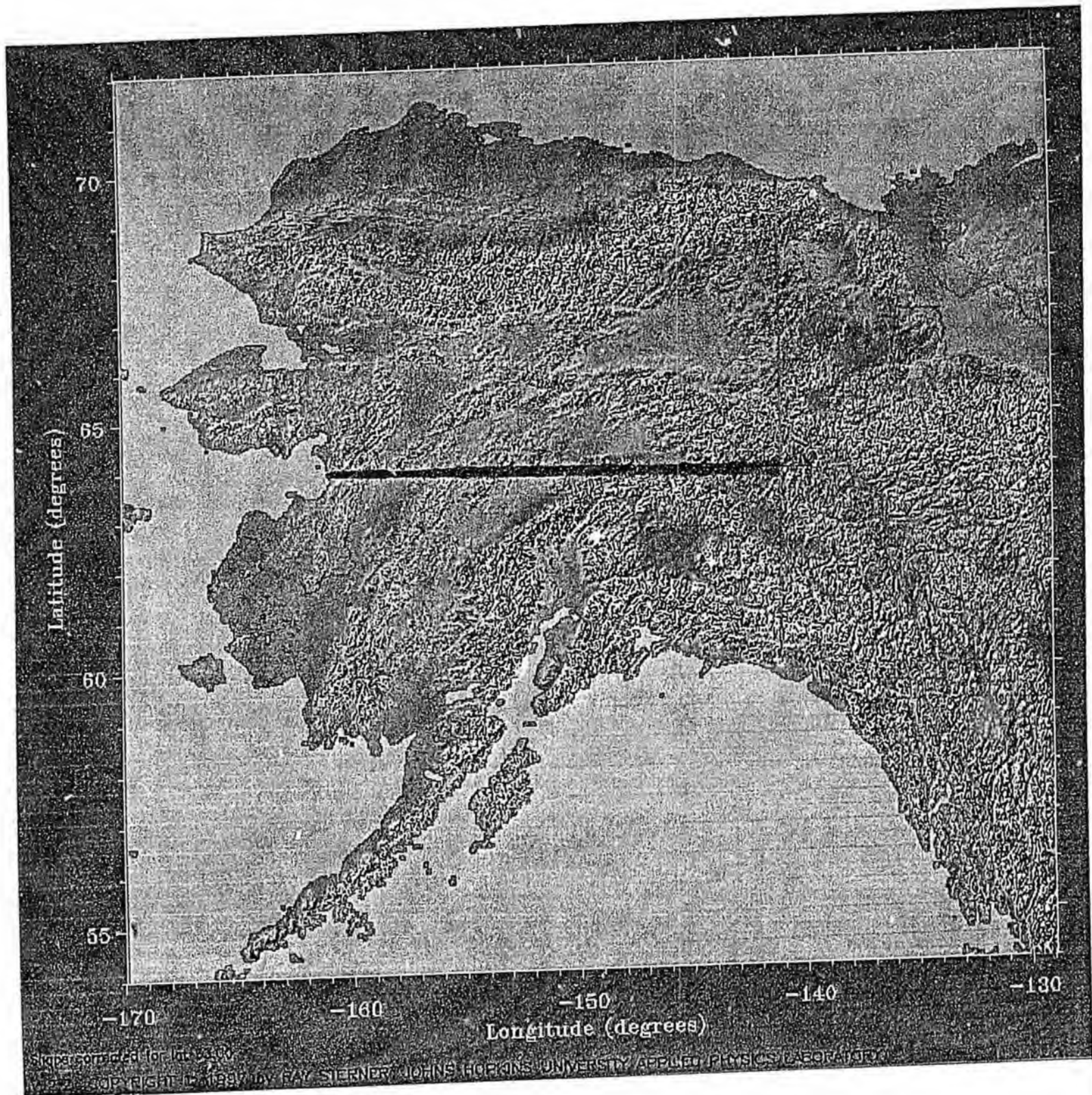
This measure concerns itself with respect to the commission's oversight of shallow natural gas (coal bed methane) from a single well or single field. **Bill section 1** provides that "where operations [involving shallow natural gas/coal bed methane exploration or development] might be unduly delayed," a member of the commission's professional staff who has been designated by the commission to do so could "approve a variance from the commission's regulations that apply to [the] well or field without conforming to requirements of [AS 31.05.060(b)]," the notice and hearing provisions of the section involving the full commission. In addition, the language of the section sets out the two standards or conditions under which the variance may be granted or withheld and describes the circumstances under which an exemption from a requirement of a commission-approved regulation may be given.

**Bill section 2** gives the measure an immediate effective date.

JBC:med  
03-078.med

Sectional analysis

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