

**SB**

**109**

**SENATE COMMITTEE REPORT  
First Committee of Referral**

DATE: 3/7/07

FURTHER:

Date of 5-Day Notice: \_\_\_\_\_  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: \_\_\_\_\_

Resources Committee considered SENATE BILL NO. 109

**SB 109 OIL & GAS CONSERVATION COMMISSION**

"An Act relating to the regulation and permitting of drilling and other operations by the Alaska Oil and Gas Conservation Commission, to civil penalties assessed by the commission, to reconsideration and appeal of decisions and the allocation of costs in investigations and hearings before the commission, and to information filed with and fees of the commission; and providing for an effective date."

and recommends:

- be replaced with  SCS or  CS SB 109 (RES)
- adopt previous  SCS or  CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt \_\_\_\_\_ Letter of Intent
- further referral to \_\_\_\_\_ Committee

<b>SENATE BILL:</b>
<input type="checkbox"/> Same Title
<input type="checkbox"/> New Title
_____
<b>HOUSE BILL:</b>
<input type="checkbox"/> Same Title
<input type="checkbox"/> Technical Title Change
<input type="checkbox"/> New Title w/ SCR # _____

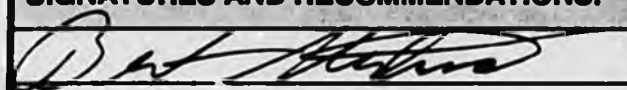

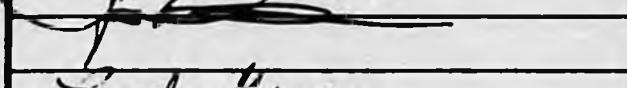
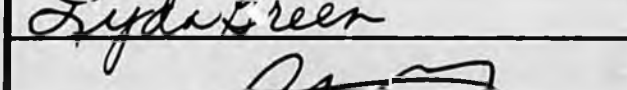

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
ADM	3/7			✓	

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	No REC	AMEND
	STEVEN GREEN	✓			
	STEPHEN			✓	
	STEPHEN	✓			
	Green	✓			
CHAIR: 	STEPHEN	✓			



## **LEGISLATIVE BUDGET & AUDIT COMMITTEE**

**Representative Ralph Samuels, Chairman**

### **MEMORANDUM**

**TO:** Senator Charlie Huggins, Chair  
Senate Resources Committee

**FROM:** Representative Ralph Samuels, Chair *RLS*  
Legislative Budget & Audit Committee

**DATE:** March 8, 2007

**RE:** Hearing Request for Senate Bill 109

I respectfully request the scheduling of Senate Bill 109 – *“An Act relating to the regulation and permitting of drilling and other operations by the Alaska Oil and Gas Conservation Commission, to civil penalties assessed by the commission, to reconsideration and appeal of decisions and the allocation of costs in investigations and hearings before the commission, and to information filed with and fees of the commission; and providing for an effective date.”* - for a hearing at your earliest possible convenience.

# ALASKA STATE LEGISLATURE

**Sen. Charlie Huggins, Chair**  
**Sen. Bert Stedman, Vice Chair**  
**Sen. Lyda Green**  
**Sen. Gary Stevens**  
**Sen. Lesil McGuire**  
**Sen. Bill Wielechowski**  
**Sen. Thomas Wagoner**



**State Capitol, Room 119**  
**Juneau AK 99801-1182**  
**907-465-3878**  
**Fax: 907-465-3265**  
**800-862-3878**

## Senate Resources Committee

Friday April 13, 2007  
3:30 p.m. – 5:30 p.m.

### AGENDA

- **SB 109 Oil & Gas Conservation Commission**

**John Norman, Alaska Oil and Gas Conservation Commission**  
**Cheryl Sutton, LB&A Committee Aide to Representative Samuels**

- **SB 96 Establishing A Renewable Energy Fund**

**Senator Johnny Ellis, Sponsor**  
**Dana Owen, Legislative Aide to Senator Ellis**

**Testimony: Time Limit May Be Set**

**CS FOR SENATE BILL NO. 109(RES)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FIFTH LEGISLATURE - FIRST SESSION**

**BY THE SENATE RESOURCES COMMITTEE**

**Offered:**  
**Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE BUDGET AND  
AUDIT COMMITTEE**

**A BILL**  
**FOR AN ACT ENTITLED**

1 **"An Act relating to the regulation and permitting of drilling and other operations by the**  
2 **Alaska Oil and Gas Conservation Commission, to civil penalties assessed by the**  
3 **commission, to reconsideration and appeal of decisions and the allocation of costs in**  
4 **investigations and hearings before the commission, and to information filed with and**  
5 **fees of the commission; and providing for an effective date."**

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 **\* Section 1. The uncodified law of the State of Alaska is amended by adding a new section**  
8 **to read:**

9 **LEGISLATIVE INTENT OF SECS. 10, 14, AND 15 OF THIS ACT. (a) It is the**  
10 **intent of the legislature through secs. 10 and 15 of this Act to confirm by clarification that**  
11 **AS 22.10.020(d), or court rules, have superseded inconsistent provisions of AS 31.05.080(b)**  
12 **as they existed the day before the effective date of this Act.**

13 **(b) It is the intent of the legislature through the enactment of AS 31.05.150(f) in sec.**

1 14 of this Act to confirm by clarification the long-standing interpretation of AS 31.05.150(d),  
2 as that section read before the effective date of this Act, by the Alaska Oil and Gas  
3 Conservation Commission that civil penalties may be administratively assessed by the  
4 commission and if not paid are recoverable by suit in the appropriate superior court as  
5 determined by court rules.

6 \* Sec. 2. AS 31.05.030(d) is repealed and reenacted to read:

7 (d) The commission may require

8 (1) identification of ownership of wells, producing leases, tanks,  
9 plants, and drilling structures;

10 (2) the making and filing of reports, well logs, drilling logs, electric  
11 logs, lithologic logs, directional surveys, and all other subsurface information on a  
12 well for which a permit to drill has been issued by the commission, subject to the  
13 following:

14 (A) the reports required to be filed by the commission under  
15 this paragraph shall be filed within 30 days after the completion, abandonment,  
16 or suspension of the well; and

17 (B) the well logs, drilling logs, electric logs, lithologic logs,  
18 directional surveys, and all other information required to be filed by the  
19 commission under this paragraph shall be filed within 90 days after the  
20 completion, abandonment, or suspension of the well, unless extended by the  
21 commission on request;

22 (3) the drilling, casing and plugging of wells in a manner that will  
23 prevent the escape of oil or gas out of one stratum into another, the intrusion of water  
24 into an oil or gas stratum, the pollution of fresh water supplies by oil, gas or salt water,  
25 and prevent blowouts, cavings, seepages and fires;

26 (4) the furnishing of a reasonable bond with sufficient surety  
27 conditions for the performance of the duty to plug each dry or abandoned well or the  
28 repair of wells causing waste;

29 (5) the operation of wells with efficient gas-oil and water-oil ratios,  
30 and may fix these ratios;

31 (6) the gauging or other measuring of oil and gas to determine the

1 quality and quantity of oil and gas;

2 (7) every person who produces oil or gas in the state to keep and  
3 maintain for a period of five years in the state complete and accurate records of the  
4 quantities of oil and gas produced, which shall be available for examination by the  
5 commission at all reasonable times;

6 (8) the measuring and monitoring of oil and gas pool pressures;

7 (9) the filing and approval of a plan of development and operation for  
8 a field or pool to prevent waste, ensure a greater ultimate recovery of oil and gas, and  
9 protect the correlative rights of persons owning interests in the tracts of land affected.

10 \* Sec. 3. AS 31.05.030(e) is amended to read:

11 (e) The commission may regulate

12 (1) for conservation purposes and, to the extent not in conflict with  
13 regulation by the Department of Labor and Workforce Development or the  
14 Department of Environmental Conservation, for public health and safety  
15 purposes,

16 (A) the drilling, producing, and plugging of wells;

17 (B) the perforating, fracture simulation, [SHOOTING] and  
18 chemical treatment of wells;

19 (C) the spacing of wells;

20 (D) the disposal of salt water, nonpotable water, and oil field  
21 wastes;

22 (E) the contamination or waste of underground water;

23 (F) the quantity and rate of the production of oil and gas from a  
24 well or property; this authority shall also apply to a well or property in a  
25 voluntary cooperative or unit plan of development or operation entered into in  
26 accordance with AS 38.05.180(p);

27 (G) the underground injection of gas for purposes of  
28 storage;

29 (2) the disposal of drilling mud, cuttings, and nonhazardous drilling  
30 operation wastes in the annular space of a [AN OIL OR GAS] well for which a  
31 permit to drill has been issued by the commission [OR IN THE ANNULAR

1 SPACE OF A WATER WELL ASSOCIATED WITH OIL OR GAS  
 2 EXPLORATION AND PRODUCTION]; in this paragraph, a "nonhazardous drilling  
 3 operation waste" means a waste, other than a hazardous waste identified by the  
 4 Environmental Protection Agency in 40 C.F.R., Part 261, its regulation identifying and  
 5 listing hazardous wastes, associated with the act of drilling a [AN OIL OR GAS] well  
 6 for exploratory or production purposes.

7 \* Sec. 4. AS 31.05.030(f) is amended to read:

8 (f) The commission may classify a well or a specific portion of a well  
 9 [WELLS] as an exploratory, development, service, or stratigraphic test well and  
 10 may classify a development well as an oil or gas well [WELLS] for purposes  
 11 material to the interpretation or enforcement of this chapter.

12 \* Sec. 5. AS 31.05.030(j) is amended to read:

13 (j) For exploration and development operations involving nonconventional  
 14 gas, the commission

15 (1) may not

16 (A) issue a permit to drill under this chapter if the well would  
 17 be used to produce gas from an aquifer that serves as a source of water for  
 18 human consumption or agricultural purposes unless the commission  
 19 determines that the well will not adversely affect the aquifer as a source of  
 20 water for human consumption or agricultural purposes; or

21 (B) allow injection of produced water except at depths below  
 22 known sources of water for human consumption or agricultural purposes;

23 (2) shall

24 (A) regulate hydraulic fracturing in nonconventional gas wells  
 25 to ensure [ASSURE] protection of drinking water quality;

26 (B) regulate the disposal of wastes produced from the  
 27 operations unless the disposal is otherwise subject to regulation by the  
 28 Department of Environmental Conservation or the United States  
 29 Environmental Protection Agency;

30 (C) [REPEALED

31 (D)] as a condition of approval of a permit to drill a well for

1            regular production [OR PRODUCTION TESTING] of coal bed methane,  
 2            require the operator to design and implement a water well testing program to  
 3            provide baseline data on water quality and quantity; the commission shall  
 4            make the results of the water well testing program available to the public.

5   \* Sec. 6. AS 31.05.035(a) is amended to read:

6            (a) For all wells for which a permit to drill has been issued by the commission  
 7            [SINCE JANUARY 3, 1959], the commission may require:

8                    (1) the making and filing of reports, well logs, drilling logs, electric  
 9                    logs, lithologic logs, directional surveys, and all other subsurface information on a  
 10                   well for which a permit to drill has been issued by the commission [DRILLED  
 11                   FOR OIL OR GAS, OR FOR THE DISCOVERY OF OIL OR GAS, OR FOR  
 12                   GEOLOGIC INFORMATION];

13                   (2) the filing of flow test information and all logs, except experimental  
 14                   logs and velocity surveys run on a well and not required by (1) of this subsection; and

15                   (3) the operator to make available for copying the digitized log  
 16                   information, if it is available, on any log required to be filed under (1) or (2) of this  
 17                   subsection.

18   \* Sec. 7. AS 31.05.035(c) is amended to read:

19            (c) The reports and information required in (a) of this section that relate to an  
 20            exploratory or stratigraphic test well and those portions of an application for a  
 21            permit to drill an exploratory or stratigraphic test well that the commission  
 22            determines contain proprietary engineering or geotechnical information shall be  
 23            kept confidential for 24 months following the 30-day filing period unless the owner of  
 24            the well gives written permission to release the application and reports and  
 25            information at an earlier date. If the commissioner of natural resources finds that the  
 26            required reports and information contain significant information relating to the  
 27            valuation of unleased land in the same vicinity, the commissioner shall keep the  
 28            reports and information confidential for a reasonable time after the disposition of all  
 29            affected unleased land, unless the owner of the well gives written permission to  
 30            release the reports and information at an earlier date. Well surface and bottom hole  
 31            locations [LOCATION], well depth, well status, [AND] production data, and

1 production reports required by the commission to be filed subsequent to the 30-day  
2 filing period shall be considered public information and may not be classified  
3 confidential. Production data, as used in this subsection, means volume, gravity and  
4 gas-oil ratio of all production of oil or gas after the well begins regular production.

5 \* **Sec. 8.** AS 31.05.035 is amended by adding a new subsection to read:

6 (f) Confidentiality under (d) of this section is not applicable to information  
7 submitted with or as part of a petition for a commission order or to information  
8 submitted for or as part of a hearing before the commission.

9 \* **Sec. 9.** AS 31.05.080(a) is amended to read:

10 (a) Within 20 days after written notice of the entry of an order or decision of  
11 the commission, or such further time as the commission grants for good cause shown,  
12 a person affected by it may file with the commission an application for  
13 reconsideration [THE REHEARING IN RESPECT] of the matter determined by the  
14 order or decision, setting out [FORTH] the respect in which the order or decision is  
15 believed to be erroneous. The commission shall grant or refuse the application in  
16 whole or in part within 10 days after it is filed, and failure to act on it within this  
17 period is a refusal of it and a final disposition of the application. If reconsideration  
18 [THE HEARING] is granted, the commission may enter a new order or decision after  
19 reconsideration [REHEARING] as may be required under the circumstances.

20 \* **Sec. 10.** AS 31.05.080(b) is repealed and reenacted to read:

21 (b) A person who has applied for reconsideration and is dissatisfied with the  
22 disposition of the application for reconsideration may appeal to the superior court. The  
23 questions reviewed on appeal are limited to the questions presented to the commission  
24 by the application for reconsideration.

25 \* **Sec. 11.** AS 31.05.085(a) is amended to read:

26 (a) During a hearing or investigation held under this chapter, the commission  
27 may allocate the costs of the hearing or investigation among the parties, including the  
28 commission, as is just under the circumstances. In allocating costs, the commission  
29 shall consider the regulatory cost charge paid by a person under AS 31.05.093 and  
30 may consider the results, evidence of good faith, other relevant factors, and mitigating  
31 circumstances. The costs allocated may include

1 (1) the costs of any time devoted to the investigation or hearing by  
 2 hired consultants, whether or not the consultants appear as witnesses or participants;  
 3 [AND]

4 (2) any out-of-pocket expenses incurred by the commission in the  
 5 particular proceeding; and

6 (3) when the investigation or hearing relates to a violation of a  
 7 provision of this chapter, a regulation adopted under this chapter, or an order,  
 8 stipulation, or term of a permit issued by the commission, the costs of any time  
 9 devoted to the investigation or hearing by the commission staff.

10 \* Sec. 12. AS 31.05.090 is repealed and reenacted to read:

11 **Sec. 31.05.090. Permits to drill wells.** (a) A person must apply for and receive  
 12 a permit from the commission before drilling

13 (1) a well in search of oil or gas;

14 (2) a well in support of the recovery or production of oil or gas;

15 (3) an underground injection well for the purpose of gas storage; or

16 (4) an underground injection well for which the state has acquired  
 17 primary enforcement responsibility under AS 31.05.030(h).

18 (b) A person must submit a separate permit application for each well. The  
 19 permit application must be in the form required by the commission and include all  
 20 information required by the commission.

21 (c) After receiving an application under (b) of this section, the commission  
 22 shall promptly approve or deny the application for a permit to drill.

23 (d) In making a determination under (c) of this section, the commissioner shall  
 24 consider whether the

25 (1) proposed well is contrary to law, a provision of this chapter, a  
 26 regulation adopted under this chapter, or an order, stipulation, or term of a permit  
 27 issued by the commission; or

28 (2) applicant is in violation of a provision of this chapter, a regulation  
 29 adopted under this chapter, or an order, stipulation, or term of a permit issued by the  
 30 commission and the magnitude of such violation.

31 \* Sec. 13. AS 31.05.093(c) is amended to read:

1 (c) The commission shall determine the regulatory cost charges levied under  
2 this section so that the total amount to be collected approximately equals the  
3 appropriations made for the operating costs of the commission under this chapter for  
4 the fiscal year [, LESS THE ESTIMATED TOTAL OF THE FEES TO BE  
5 COLLECTED UNDER AS 31.05.090. IF THE AMOUNT THE COMMISSION  
6 EXPECTS TO COLLECT UNDER THIS SECTION AND UNDER AS 31.05.090  
7 EXCEEDS THE APPROPRIATIONS MADE FOR THE OPERATING COSTS OF  
8 THE COMMISSION UNDER THIS CHAPTER, THE COMMISSION SHALL, BY  
9 ORDER, ADJUST THE REGULATORY COST CHARGES SO THAT THE TOTAL  
10 AMOUNT OF THE REGULATORY COST CHARGES AND FEES THAT ARE  
11 COLLECTED APPROXIMATELY EQUALS THE APPROPRIATIONS MADE  
12 FOR THE OPERATING COSTS OF THE COMMISSION UNDER THIS CHAPTER  
13 FOR THE FISCAL YEAR].

14 \* **Sec. 14.** AS 31.05.150 is repealed and reenacted to read:

15 **Sec. 31.05.150. Penalties.** (a) In addition to the penalties in (b) - (e) of this  
16 section, a person who violates a provision of this chapter, a regulation adopted under  
17 this chapter, or an order, stipulation, or term of a permit issued by the commission is  
18 liable for a civil penalty of not more than \$100,000 for the initial violation and not  
19 more than \$10,000 for each day thereafter on which the violation continues.

20 (b) A person who knowingly commits an act specified in AS 11.46.630(a) for  
21 the purpose of evading a provision of this chapter, a regulation adopted under this  
22 chapter, or an order, stipulation, or term of a permit issued by the commission, is  
23 guilty of a class A misdemeanor.

24 (c) A person who knowingly aids or abets another person in the violation of a  
25 provision of this chapter, a regulation adopted under this chapter, or an order,  
26 stipulation, or term of a permit issued by the commission, is subject to the same  
27 penalty as that prescribed in this chapter for the violation by the other person.

28 (d) In addition to the penalties in (a) - (c) and (e) of this section, the  
29 commission may impose a civil penalty for each 1,000 cubic feet of natural gas flared,  
30 vented, or otherwise determined to be waste as defined in AS 31.05.170. The penalty  
31 shall be twice the fair market value of the natural gas at the point of waste.

1 (e) A person who knowingly violates a provision of this chapter, a regulation  
2 adopted under this chapter, or an order, stipulation, or term of a permit issued by the  
3 commission is guilty of a misdemeanor punishable by a fine of not more than \$10,000  
4 a day for each day of violation.

5 (f) The commission may assess the civil penalties provided in this section and,  
6 if not paid, the penalties are recoverable by suit filed by the attorney general in the  
7 name and on behalf of the commission in the superior court. The payment of a penalty  
8 does not relieve a person on whom the penalty is imposed from liability to any other  
9 person for damages arising out of the violation.

10 (g) In determining the amount of a penalty assessed under (a) of this section,  
11 the commission shall consider

12 (1) the extent to which the person committing the violation was acting  
13 in good faith in attempting to comply;

14 (2) the extent to which the person committing the violation acted in a  
15 wilful or knowing manner;

16 (3) the extent and seriousness of the violation and the actual or  
17 potential threat to public health or the environment;

18 (4) the injury to the public resulting from the violation;

19 (5) the benefits derived by the person committing the violation from  
20 the violation;

21 (6) the history of compliance or noncompliance by the person  
22 committing the violation with the provisions of this chapter, the regulations adopted  
23 under this chapter, and the orders, stipulations, or terms of permits issued by the  
24 commission;

25 (7) the need to deter similar behavior by the person committing the  
26 violation and others similarly situated at the time of the violation or in the future;

27 (8) the effort made by the person committing the violation to correct  
28 the violation and prevent future violations; and

29 (9) other factors considered relevant to the assessment that are adopted  
30 by the commission in regulation.

31 \* **Sec. 15.** AS 31.05.080(c) and 31.05.080(d) are repealed.

1       \* **Sec. 16.** The uncodified law of the State of Alaska is amended by adding a new section to  
2 read:

3               **REVISOR'S INSTRUCTION.** The revisor of statutes is instructed to change the  
4 heading of AS 31.05.080 from "Rehearings and appeals" to "Reconsiderations and appeals."

5       \* **Sec. 17.** This Act takes effect immediately under AS 01.10.070(c).

**SENATE BILL NO. 109**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-FIFTH LEGISLATURE - FIRST SESSION**

**BY THE SENATE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE BUDGET AND AUDIT COMMITTEE**

**Introduced: 3/7/07**

**Referred:**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act relating to the regulation and permitting of drilling and other operations by the**  
2 **Alaska Oil and Gas Conservation Commission, to civil penalties assessed by the**  
3 **commission, to reconsideration and appeal of decisions and the allocation of costs in**  
4 **investigations and hearings before the commission, and to information filed with and**  
5 **fees of the commission; and providing for an effective date."**

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 **\* Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
8 to read:

9 **LEGISLATIVE INTENT OF SECS. 10, 15, AND 18 OF THIS ACT.** (a) It is the  
10 intent of the legislature through secs. 10 and 18 of this Act to confirm by clarification that  
11 AS 22.10.020(d), or court rules, have superseded inconsistent provisions of AS 31.05.080(b)  
12 as they existed the day before the effective date of this Act.

13 (b) It is the intent of the legislature through sec. 15 of this Act to confirm by

1 clarification the long-standing interpretation of AS 31.05.150(d) by the Alaska Oil and Gas  
2 Conservation Commission that civil penalties may be administratively assessed by the  
3 commission and if not paid are recoverable by suit in the appropriate superior court as  
4 determined by court rules.

5 \* Sec. 2. AS 31.05.030(d) is amended to read:

6 (d) The commission may require

7 (1) identification of ownership of wells, producing leases, tanks, plants  
8 and drilling structures;

9 (2) the making and filing of reports, well logs, drilling logs, electric  
10 logs, lithologic logs, directional surveys, and all other subsurface information on a  
11 well for which a permit to drill has been issued by the commission [DRILLED  
12 FOR OIL OR GAS, OR FOR THE DISCOVERY OF OIL OR GAS, OR FOR  
13 GEOLOGIC INFORMATION], and the required reports [AND INFORMATION]  
14 shall be filed within 30 days and the logs and other subsurface information shall be  
15 filed within 60 days after the completion, abandonment, or suspension of the well;

16 (3) the drilling, casing and plugging of wells in a manner that will  
17 prevent the escape of oil or gas out of one stratum into another, the intrusion of water  
18 into an oil or gas stratum, the pollution of fresh water supplies by oil, gas or salt water,  
19 and prevent blowouts, cavings, seepages and fires;

20 (4) the furnishing of a reasonable bond with sufficient surety  
21 conditions for the performance of the duty to plug each dry or abandoned well or the  
22 repair of wells causing waste;

23 (5) the operation of wells with efficient gas-oil and water-oil ratios,  
24 and may fix these ratios;

25 (6) the gauging or other measuring of oil and gas to determine the  
26 quality and quantity of oil and gas;

27 (7) every person who produces oil or gas in the state to keep and  
28 maintain for a period of five years in the state complete and accurate records of the  
29 quantities of oil and gas produced, which shall be available for examination by the  
30 commission [DEPARTMENT OF NATURAL RESOURCES OR ITS AGENTS] at  
31 all reasonable times;

- 1 (8) the measuring and monitoring of oil and gas pool pressures;
- 2 (9) the filing and approval of a plan of development and operation for
- 3 a field or pool in order to prevent waste, ensure [INSURE] a greater ultimate recovery
- 4 of oil and gas, and protect the correlative rights of persons owning interests in the
- 5 tracts of land affected.

6 \* Sec. 3. AS 31.05.030(e) is amended to read:

- 7 (e) The commission may regulate
- 8 (1) for conservation purposes and, to the extent not in conflict with
- 9 regulation by the Department of Labor and Workforce Development or the
- 10 Department of Environmental Conservation, for public health and safety
- 11 purposes,
- 12 (A) the drilling, producing, and plugging of wells;
- 13 (B) the perforating, fracture simulation, [SHOOTING] and
- 14 chemical treatment of wells;
- 15 (C) the spacing of wells;
- 16 (D) the disposal of salt water, nonpotable water, and oil field
- 17 wastes;
- 18 (E) the contamination or waste of underground water;
- 19 (F) the quantity and rate of the production of oil and gas from a
- 20 well or property; this authority shall also apply to a well or property in a
- 21 voluntary cooperative or unit plan of development or operation entered into in
- 22 accordance with AS 38.05.180(p);
- 23 (G) the underground injection of gas for purposes of
- 24 storage;
- 25 (2) the disposal of drilling mud, cuttings, and nonhazardous drilling
- 26 operation wastes in the annular space of a [AN OIL OR GAS] well [OR IN THE
- 27 ANNULAR SPACE OF A WATER WELL ASSOCIATED WITH OIL OR GAS
- 28 EXPLORATION AND PRODUCTION]; in this paragraph, a "nonhazardous drilling
- 29 operation waste" means a waste, other than a hazardous waste identified by the
- 30 Environmental Protection Agency in 40 C.F.R., Part 261, its regulation identifying and
- 31 listing hazardous wastes, associated with the act of drilling a [AN OIL OR GAS] well

1 for exploratory or production purposes.

2 \* Sec. 4. AS 31.05.030(f) is amended to read:

3 (f) The commission may classify a well [WELLS] as an exploratory,  
 4 development, service, or stratigraphic test well and may classify a development  
 5 well as an oil or gas well [WELLS] for purposes material to the interpretation or  
 6 enforcement of this chapter.

7 \* Sec. 5. AS 31.05.030(j) is amended to read:

8 (j) For exploration and development operations involving nonconventional  
 9 gas, the commission

10 (1) may not

11 (A) issue a permit to drill under this chapter if the well would  
 12 be used to produce gas from an aquifer that serves as a source of water for  
 13 human consumption or agricultural purposes unless the commission  
 14 determines that the well will not adversely affect the aquifer as a source of  
 15 water for human consumption or agricultural purposes; or

16 (B) allow injection of produced water except at depths below  
 17 known sources of water for human consumption or agricultural purposes;

18 (2) shall

19 (A) regulate hydraulic fracturing in nonconventional gas wells  
 20 to ensure [ASSURE] protection of drinking water quality;

21 (B) regulate the disposal of wastes produced from the  
 22 operations unless the disposal is otherwise subject to regulation by the  
 23 Department of Environmental Conservation or the United States  
 24 Environmental Protection Agency;

25 (C) [REPEALED

26 (D)] as a condition of approval of a permit to drill a well for  
 27 regular production [OR PRODUCTION TESTING] of coal bed methane,  
 28 require the operator to design and implement a water well testing program to  
 29 provide baseline data on water quality and quantity; the commission shall  
 30 make the results of the water well testing program available to the public.

31 \* Sec. 6. AS 31.05.035(a) is amended to read:

1 (a) For all wells for which a permit to drill has been issued by the commission  
2 [SINCE JANUARY 3, 1959], the commission may require:

3 (1) the making and filing of reports, well logs, drilling logs, electric  
4 logs, lithologic logs, directional surveys, and all other subsurface information on a  
5 well for which a permit to drill has been issued by the commission [DRILLED  
6 FOR OIL OR GAS, OR FOR THE DISCOVERY OF OIL OR GAS, OR FOR  
7 GEOLOGIC INFORMATION];

8 (2) the filing of flow test information and all logs, except experimental  
9 logs and velocity surveys run on a well and not required by (1) of this subsection; and

10 (3) the operator to make available for copying the digitized log  
11 information, if it is available, on any log required to be filed under (1) or (2) of this  
12 subsection.

13 \* Sec. 7. AS 31.05.035(c) is amended to read:

14 (c) The application for a permit to drill an exploratory or stratigraphic  
15 test well and the reports and information required in (a) of this section that relate to  
16 an exploratory or stratigraphic test well shall be kept confidential for 24 months  
17 following the 30-day filing period unless the owner of the well gives written  
18 permission to release the reports and information at an earlier date. If the  
19 commissioner of natural resources finds that the required reports and information  
20 contain significant information relating to the valuation of unleased land in the same  
21 vicinity, the commissioner shall keep the reports and information confidential for a  
22 reasonable time after the disposition of all affected unleased land, unless the owner of  
23 the well gives written permission to release the reports and information at an earlier  
24 date. Well surface and bottom hole locations [LOCATION], well depth, well status,  
25 [AND] production data, and production reports required by the commission to be filed  
26 subsequent to the 30-day filing period shall be considered public information and may  
27 not be classified confidential. Production data, as used in this subsection, means  
28 volume, gravity and gas-oil ratio of all production of oil or gas after the well begins  
29 regular production.

30 \* Sec. 8. AS 31.05.035 is amended by adding a new subsection to read:

31 (f) Subsection (d) of this section does not apply to information submitted in

1 connection with a petition for a commission order or a hearing before the commission.

2 \* **Sec. 9.** AS 31.05.080(a) is amended to read:

3 (a) Within 20 days after written notice of the entry of an order or decision of  
4 the commission, or such further time as the commission grants for good cause shown,  
5 a person affected by it may file with the commission an application for  
6 **reconsideration** [THE REHEARING IN RESPECT] of the matter determined by the  
7 order or decision, setting **out** [FORTH] the respect in which the order or decision is  
8 believed to be erroneous. The commission shall grant or refuse the application in  
9 whole or in part within 10 days after it is filed, and failure to act on it within this  
10 period is a refusal of it and a final disposition of the application. If **reconsideration**  
11 [THE HEARING] is granted, the commission may enter a new order or decision after  
12 **reconsideration** [REHEARING] as may be required under the circumstances.

13 \* **Sec. 10.** AS 31.05.080(b) is repealed and reenacted to read:

14 (b) A person who has applied for reconsideration and is dissatisfied with the  
15 disposition of the application for reconsideration may appeal to the superior court. The  
16 questions reviewed on appeal are limited to the questions presented to the commission  
17 by the application for reconsideration.

18 \* **Sec. 11.** AS 31.05.085(a) is amended to read:

19 (a) During a hearing or investigation held under this chapter, the commission  
20 may allocate the costs of the hearing or investigation among the parties, including the  
21 commission, as is just under the circumstances. In allocating costs, the commission  
22 shall consider the regulatory cost charge paid by a person under AS 31.05.093 and  
23 may consider the results, evidence of good faith, other relevant factors, and mitigating  
24 circumstances. The costs allocated may include

25 (1) the costs of any time devoted to the investigation or hearing by  
26 hired consultants, whether or not the consultants appear as witnesses or participants;  
27 [AND]

28 (2) any out-of-pocket expenses incurred by the commission in the  
29 particular proceeding; **and**

30 **(3) when the investigation or hearing relates to a violation of this**  
31 **chapter, a regulation adopted under this chapter, or an order of the commission.**

1 the costs of any time devoted to the investigation or hearing by the commission  
 2 staff.

3 \* Sec. 12. AS 31.05.090 is repealed and reenacted to read:

4 **Sec. 31.05.090. Permits to drill wells.** (a) A person must apply for and receive  
 5 a permit from the commission before drilling

6 (1) a well in search of oil or gas;

7 (2) a well in support of the recovery or production of oil or gas;

8 (3) an underground injection well for which the state has acquired  
 9 primary enforcement responsibility under AS 31.05.030(h).

10 (b) A person must submit a separate permit application for each well. The  
 11 permit application must be in the form required by the commission and include all  
 12 information required by the commission.

13 (c) After receiving an application under (b) of this section, the commission  
 14 shall promptly issue a permit to drill unless the

15 (1) proposed well is contrary to law or an order of the commission; or

16 (2) person is in violation of this chapter, a regulation adopted under  
 17 this chapter, or a commission order.

18 \* Sec. 13. AS 31.05.093(c) is amended to read:

19 (c) The commission shall determine the regulatory cost charges levied under  
 20 this section so that the total amount to be collected approximately equals the  
 21 appropriations made for the operating costs of the commission under this chapter for  
 22 the fiscal year [, LESS THE ESTIMATED TOTAL OF THE FEES TO BE  
 23 COLLECTED UNDER AS 31.05.090. IF THE AMOUNT THE COMMISSION  
 24 EXPECTS TO COLLECT UNDER THIS SECTION AND UNDER AS 31.05.090  
 25 EXCEEDS THE APPROPRIATIONS MADE FOR THE OPERATING COSTS OF  
 26 THE COMMISSION UNDER THIS CHAPTER, THE COMMISSION SHALL, BY  
 27 ORDER, ADJUST THE REGULATORY COST CHARGES SO THAT THE TOTAL  
 28 AMOUNT OF THE REGULATORY COST CHARGES AND FEES THAT ARE  
 29 COLLECTED APPROXIMATELY EQUALS THE APPROPRIATIONS MADE  
 30 FOR THE OPERATING COSTS OF THE COMMISSION UNDER THIS CHAPTER  
 31 FOR THE FISCAL YEAR].

1 \* **Sec. 14.** AS 31.05.150(a) is amended to read:

2 (a) A person who wilfully or negligently violates a provision of this chapter,  
3 or a regulation or order of the commission adopted under this chapter, is liable for a  
4 civil penalty of no more than \$100,000 for a single violation or, in the commission's  
5 discretion, no more than \$25,000 [\$5,000] a day for each day of violation [,  
6 UNLESS THE PENALTY FOR VIOLATION IS OTHERWISE PROVIDED FOR  
7 AND MADE EXCLUSIVE IN THIS CHAPTER].

8 \* **Sec. 15.** AS 31.05.150(d) is amended to read:

9 (d) The civil penalties provided in this section may be assessed by the  
10 commission and if not paid are recoverable by suit filed by the attorney general in  
11 the name and on behalf of the commission in the superior court [OF THE JUDICIAL  
12 DISTRICT IN WHICH THE DEFENDANT RESIDES OR IN WHICH ANY  
13 DEFENDANT RESIDES, IF THERE IS MORE THAN ONE DEFENDANT, OR IN  
14 THE SUPERIOR COURT OF THE JUDICIAL DISTRICT IN WHICH THE  
15 VIOLATION OCCURS]. The payment of a penalty does not relieve a person on  
16 whom the penalty is imposed from liability to any other person for damages arising  
17 out of the violation.

18 \* **Sec. 16.** AS 31.05.150(e) is amended to read:

19 (e) In addition to the penalties in (a) - (d) and (f) of this section, the [THE]  
20 commission may impose a civil penalty payment on every 1,000 cubic feet of natural  
21 gas flared, vented or otherwise determined to be waste as defined in AS 31.05.170.  
22 The penalty shall be two times the fair market value of the natural gas at the point of  
23 waste.

24 \* **Sec. 17.** AS 31.05.150 is amended by adding a new subsection to read:

25 (g) In determining the amount of a penalty assessed under this section, the  
26 commission shall consider

27 (1) whether the person committing the violation was acting in good  
28 faith or bad faith;

29 (2) the extent and seriousness of the violation and the actual or  
30 potential threat to public health or the environment;

31 (3) the injury to the public resulting from the violation;

- 1 (4) the benefits derived by the person from the violation;  
2 (5) the history of compliance or noncompliance by the person with the  
3 requirements of this chapter, a regulation under this chapter, and commission orders;  
4 (6) the need to deter similar behavior by the person and others  
5 similarly situated in the future;  
6 (7) the effort made by the person to correct the violation and prevent  
7 future violations; and  
8 (8) other factors considered relevant to the assessment that are adopted  
9 by the commission in regulation.

10 \* **Sec. 18.** AS 31.05.080(c) and 31.05.080(d) are repealed.

11 \* **Sec. 19.** The uncodified law of the State of Alaska is amended by adding a new section to  
12 read:

13 REVISOR'S INSTRUCTION. The revisor of statutes is instructed to change the  
14 heading of AS 31.05.080 from "Rehearings and appeals" to "Reconsiderations and appeals."

15 \* **Sec. 20.** This Act takes effect immediately under AS 01.10.070(c).

# FISCAL NOTE

**STATE OF ALASKA**  
**2007 LEGISLATIVE SESSION**

Fiscal Note Number: SB109-DOA-AOGCC 3-7-07  
 Bill Version: SB109  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
 Title Oil and Gas Conservation Commission RDU AOGCC  
 Component AOGCC  
 Sponsor Rules / Leg Budget & Audit  
 Requester Senate Resources Committee Component No. 2010

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

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
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>

<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
-----------------------------	-----	-----	-----	-----	-----	-----

<b>CHANGE IN REVENUES ( )</b>	0.0	0.0	0.0	0.0	0.0	0.0
-------------------------------	-----	-----	-----	-----	-----	-----

**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
1162 AOGCC Receipts	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 (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This bill is not anticipated to have any fiscal impact on the AOGCC.

Most of the amendments are technical revisions involving responsibilities that are already under the purview of the Alaska Oil and Gas Conservation Commission. The bill deletes the requirement that an applicant pay a \$100 fee for a permit to drill a well. Since the Commission is fully funded through a regulatory cost charge it is more efficient to collect those costs as part of the overall regulatory cost charge rather than by subtracting an estimate of the fees that might be generated in the coming year and then collecting by individual application. This will also streamline the process for permitting as the Commission moves towards implementing e-permitting.

Prepared by: Jody J. Colombie, Special Assistant I Pphone 793-1221  
 Division Alaska Oil and Gas Conservation Commission Date/Time 3/7/07 10:00 AM  
 Approved by: Rachael Petro, Deputy Commissioner Date 3/7/07 2:00pm  
 Agency Department of Administration



## **LEGISLATIVE BUDGET & AUDIT COMMITTEE**

Representative Ralph Samuels, Chairman

### **SPONSOR STATEMENT**

#### **SENATE BILL 109**

**"An Act relating to the regulation and permitting of drilling and other operations by the Alaska Oil and Gas Conservation Commission, to civil penalties assessed by the commission, to reconsideration and appeal of decisions and the allocation of costs in investigations and hearings before the commission, and to information filed with and fees of the commission; and providing for an effective date."**

The Alaska Oil and Gas Conservation Commission (AOGCC) requested legislation that would make several needed updates and improvements to Title 31, its governing statute.

Senate Bill 109 would accomplish the following:

1. Clarify the Commission's authority to regulate underground storage of natural gas. Gas storage is a way of dealing with seasonal variations in demand. Although the Commission clearly has statutory authority to regulate other types of underground injection related to oil & gas operations, the statute is unclear as to the Commission's authority with respect to gas storage injection.
2. Clarify that the Commission's existing authority to regulate various types of oil and gas operations, such as drilling and plugging wells and disposing of oil field wastes, may be for public health and safety purposes as well as conservation purposes. Currently, the statute uses the phrase "for conservation purposes." While this is a broad concept, there are aspects of the Commission's mission, such as preventing well blowouts or explosions that clearly impact public health and safety. There should be no question that the latter are appropriate goals of Commission oversight of oil field operations, and the bill would make this explicit.

*Sponsor Statement*

*Page 2*

*Senate Bill 109*

3. Make a "mid-course correction" in a regulatory program concerning nonconventional gas, in particular, coal bed methane. One of the new requirements is for the operator of a well used for production **or production testing** of coal bed methane "to design and implement a water well testing program to provide baseline data on water quality and quantity." However, production testing is a short-term activity that would not have a significant impact on aquifers. Moreover, production testing often occurs during exploratory activities and is very low risk to the environment, before an operator has any idea whether a prospect may ultimately be developed and put in production. Requiring an operator to design and implement a water well testing program at this early stage is an unnecessary burden that will discourage exploration without providing an offsetting public benefit. The bill would therefore modify this requirement to apply only to regular production of coal bed methane, not production testing.

4. Update the reconsideration & appeals provision. There is a conflict between the judicial appeal provisions of the Alaska Oil and Gas Conservation Act, which date essentially unchanged from a territorial enactment in 1955, and the more modern and streamlined uniform appeal provisions of the judiciary statute. The Commission has taken the position that the judiciary statute superseded the earlier territorial enactment, and the Supreme Court recently upheld that position in *Allen v. Alaska Oil and Gas Conservation Commission*, 139 P3d 564 (Alaska 2006). This bill would eliminate the outmoded territorial provisions and leave appeals from Commission decisions to be governed by the uniform procedures of the judiciary statute and court rules.

5. Delete the requirement that an applicant pay a \$1 00 fee for a permit to drill a well in this state. For some years the Commission has been fully funded by the regulated industry through a regulatory cost charge. The costs associated with permitting are more efficiently collected as part of the overall regulatory cost charge rather than by subtracting an **estimate** of the fees that might be generated in the coming year.

6. Specify that only data from "exploratory" and "stratigraphic test" wells is subject to a 24-month period of confidentiality. This change is consistent with the regulatory practice in most other oil and gas producing states that does not afford confidentiality well data in established oil and gas fields. The Commission recognizes that some wells that are drilled within the boundaries of an existing oil and gas field would be entitled to confidentiality because they are drilled to delineate a pool or are drilled near a lease boundary. The Commission believes that protection can be provided through regulation.

*Sponsor Statement*

*Page 3*

*Senate Bill 109*

7. Add a new subsection that makes clear that information submitted in connection with a petition for a Commission order or in connection with a hearing will not be held confidential solely on the claim that it is being provided "voluntarily" to the Commission. This amendment is consistent with Commission practice which requires the applicant to make a showing that the information is entitled to confidentiality under another provision of law or as one would, for example, for proprietary information or trade secrets.

8. Update the penalty section by increasing the penalty amounts available to the Commission and adds a specific list of criteria for the Commission to consider in determining the amount of a penalty. The bill would change the maximum amount of a penalty from \$5,000 a day for each day of violation, to provide for a civil penalty of ***no more than \$1 00,000 for a single violation, or in the Commission's discretion, no more than \$25,000 a day for each day of violation***. It also increases the civil penalty for gas that is flared, vented or otherwise determined to be waste from the fair market value to two times the fair market value. This amendment essentially shifts the penalty previously imposed by the Department of Revenue for flared gas to the Commission. Prior to the recent legislative changes to the oil and gas tax laws, the Department of Revenue also imposed a penalty equal to the fair market value of the flared gas whenever the Commission determined it was waste.

9. Make a few housekeeping changes like substituting the Commission for an outdated reference to the Department of Natural Resources (the Department of Natural Resources has independent authority in Title 38), updating the classification of wells, and substituting ***for which a permit to drill has been issued by the commission*** where it is more efficient than listing each type of well subject to the Commission's authority.



## **LEGISLATIVE BUDGET & AUDIT COMMITTEE**

Representative Ralph Samuels, Chairman

### **SECTIONAL ANALYSIS**

#### **Senate Bill 109**

**Section 1. Statement of intent**

(a) Confirms that AS 22.1 0.020(d), or court rules, have superseded inconsistent appeal provisions of AS 31.05.080; and

(b) Confirms that civil penalties may be administratively assessed by the Commission.

**Section 2.** Substitutes the language "for which a permit to drill has been issued by the commission" to capture all wells under the commission's regulatory authority rather than listing each type of well in (d)(2) and substitutes the word commission for an outdated reference to the Department of Natural Resources in (d) (7).

**Section 3.** Clarifies that the commission may regulate drilling and other oil and gas operations not only for conservation purposes but, as in the case of preventing blowouts or explosions, for public health and safety purposes under (e) (I).

(e)(I)(B) substitutes more precise terminology for the term "shooting"

(e)(I)(G) clarifies the commission's authority to regulate underground natural gas storage.

**Section 4.** Updates the various classifications of wells regulated by the commission.

**Section 5.** Slightly narrows a requirement enacted in 2004 relating to coal bed methane operations. The 2004 enactment requires a water well testing program whenever a well is drilled for production *or production testing* of coal bed methane. Production testing is a short-term operation that may occur during the exploration phase and is very low risk to the environment. Requiring a water well testing program in such circumstances may discourage exploration with no significant offsetting benefit to the public. The bill therefore would modify the requirement to apply only where a well will be used for regular production of coal bed methane.

*Sectional Analysis*  
*Senate Bill 109*  
*Page 2*

**Section 6.** Substitutes the language "for which a permit to drill has been issued by the commission" to capture all wells under the commission's regulatory authority rather than listing each type of well.

**Section 7.** Narrows the data that would be subject to a 24-month period of confidentiality to only the data from "exploratory" and "stratigraphic test" wells. This change is consistent with the regulatory practice in most other oil and gas producing states that does not afford confidentiality to well data in established oil and gas fields.

**Section 8.** Adds a new subsection (f) to clarify that information "voluntarily" provided under subsection (d) of this section does not apply to information submitted in connection with a petition for a Commission order or in connection with a hearing. This is consistent with Commission practice which requires the applicant to make a showing that the information is entitled to confidentiality under another provision of law as one would, for example, for proprietary information or trade secrets.

**Section 9.** The current statute uses the term "rehearing" and in accordance with more modern usage, the bill substitutes the term "reconsideration" for "rehearing."

**Section 10.** Clarifies that a person who has applied for reconsideration and who is dissatisfied with the disposition of the application for reconsideration may appeal to the Superior Court. The questions reviewed on appeal are limited to the questions presented to the Commission by the application for reconsideration. This section and section 19 update the appeal provisions of the existing statute by eliminating outmoded procedures that were enacted before statehood and clarifying that appeals from the Commission decisions are subject to the uniform procedures established in the judiciary statute, AS 22.10.020(d), and the Rules of Appellate Procedure.

**Section 11.** Allows the commission to allocate costs incurred by Commission staff for investigation or hearings.

**Section 12.** Deletes the requirement that an applicant pay a \$100 fee for a permit to drill a well in this state. The Commission has been fully funded by the regulated industry through a regulatory cost charge. The costs associated with permitting are more efficiently collected as part of the overall regulatory cost charge rather than by subtracting an estimate of the fees that might be generated in the coming year.

**Section 13.** Deletes the reference to the \$100 fee for the permit to drill from the regulatory cost charge formula.

**Section 14.** Updates the penalty section by increasing the penalty amounts available to the Commission. This section would change the penalty from \$5,000 a day for each day of violation to *no more than a \$1 00,000 for a single violation, or in the commission's discretion, no more than \$25,000 a day for each day of violation.*

**Section 15.** Makes clear that civil penalties may be administratively assessed by the Commission and if not paid are recoverable by a lawsuit filed by the attorney general on behalf of the Commission.

**Section 16.** Increases the civil penalties for gas that is flared, vented, or otherwise determined to be waste from the fair market value to two times the fair market value. This amendment essentially shifts the penalty previously imposed by the Department of Revenue for flared gas to the Commission.

**Section 17.** Adds a new subsection setting out the factors to be used in determining the amount of a penalty.

**Section 18.** AS 31.05.080(c), and AS 31.05.080(d) are repealed to eliminate outmoded procedures that were enacted before statehood.

**Section 19.** Adds a revisors' instruction to change the heading of AS 31.05.080 from "Rehearings and appeals" to "Reconsiderations and appeals."

**Section 20.** Provides for an immediate effective date under AS 01 .01.070(c).

# **Alaska Oil and Gas Conservation Commission**

## **Mission**

- To protect the public interest in oil and gas resources and prevent contamination of underground fresh water.

## **Core Services**

- Approve and monitor plans for reservoir development and enhanced oil recovery.
- Issue pooling rules and conservation orders.
- Adjudicate permit applications for drilling, completion, and remedial well operations which includes evaluation and adjudication of proposed designs for drilling, well control, casing, cementing and other well completion operations.
- Monitor and enforce well spacing rules, production rates, injection well pattern, gas/oil/water ratios, and pressure maintenance efforts.
- Order the unitized management and operation of underground reservoirs of oil and gas when necessary to substantially increase recovery.
- Evaluate and regulate gas flaring for waste determinations.
- Administer Alaska's Underground Injection Control (UIC) program and the annular waste disposal program.
- Inspect drill rigs and wells to insure compliance with AOGCC regulations.
- Witness safety valve, mechanical integrity, blowout preventer and diverter tests.
- Witness meter-proving, calibration, and oil quality tests.
- Collect and maintain all well history files and well log records.
- Collect and maintain all oil and gas production records.
- Provide information to the public and other governmental agencies.
- Provide technical analysis to other state agencies.



MAR 15 2007

March 12, 2007

Senator Charlie Huggins  
State Capitol, Room 119  
Juneau, AK 99801-1182

RE: SB 109 – Alaska Oil and Gas Conservation Commission

Dear Senator Huggins,

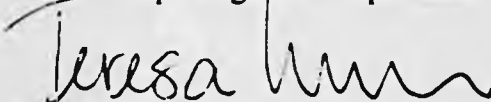
Arctic Slope Regional Corporation (“ASRC”) supports those provisions in SB 109 that clarify the regulatory and jurisdictional issues of the Alaska Oil and Gas Conservation Commission (“Commission”). We do not agree, however, with the raising of fees for violations from \$5,000 per day to \$100,000 per day.

ASRC feels that these proposed fees are excessive for the following reasons:

- It would add an undue burden on operators who are judged to have violated statutes by the Commission, even if they acted in good faith;
- This will be viewed as yet another barrier to entry for new oil and gas explorers and operators;
- It will have the effect of lowering the value of land for private landowners who desire to develop their oil and gas interests.

It has been our experience that operators plan and execute their activities in good faith. This includes compliance with all state statutes and regulations. If the current violation fee has not kept pace with inflation then it should be adjusted accordingly. As proposed, the fee increase appears to be both excessive and unwarranted.

Respectfully,  
Arctic Slope Regional Corporation



Teresa Imm  
Director – Resource Development

cc: AOGCC

## Mission

[Oil and Gas Conservation Commission](#) > [Who We Are](#) - Welcome > [Mission](#): Updated 15 May 2006

The mission of the Alaska Oil and Gas Conservation Commission (AOGCC) is to protect the public interest in exploration and development of oil and gas resources, ensuring conservation practices, and increasing ultimate recovery, while protecting health, safety, the environment, and property rights.

The Commission functions as the regulatory agency overseeing the underground operation of the Alaska oil industry on private and public lands and waters. Its responsibilities include regulating drilling and production of oil and gas to ensure that physical waste does not occur, protecting correlative rights of mineral interest owners, ensuring greater ultimate resource recovery and managing the Class II Underground Injection Control (UIC) program for oil and gas wells in Alaska as authorized by the U.S. Environmental Protection Agency on June 19, 1986.

[Home](#) [Orders](#) [Staff](#) [Calendar](#) [Contact Us](#) [Webmaster](#)

# History

Oil and Gas Conservation Commission > Who We Are - Welcome > History: Updated 15 May 2006

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 with the potential conflict between the state's revenue interest in high production rates on state leases and the state's conservation interest in protecting total ultimate recovery. To obviate its concern, the Legislature amended AS 31.05 by Chapter 158, SLA 1978 to create a new 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.

[Home](#) [Orders](#) [Staff](#) [Calendar](#) [Contact Us](#) [Webmaster](#)

**Contents**  
**SRES 3/12/07**

**1**

---

**Governor's Appointments**

- A. Big Game Commercial Services Board  
Leif Wilson – **Reappointment** - term expires 3/1/2011
- B. Department of Fish and Game  
Denby Lloyd
- C. Comments regarding Mr. Lloyds nomination: **For & Against**

**2**

---

**SB 109 – Oil & Gas Conservation Commission (AOGCC)**

**3**

- 
- A. Fiscal Note
  - B. Sectional Analysis

**4**

---

**Sponsor Statement - Rep. Ralph Samuels, Chair LB&A Committee**

**5**

---

**AOGCC Mission and Core services**

---

# **Alaska Oil and Gas Conservation Commission**

## **Mission**

- To protect the public interest in oil and gas resources and prevent contamination of underground fresh water.

## **Core Services**

- Approve and monitor plans for reservoir development and enhanced oil recovery.
- Issue pooling rules and conservation orders.
- Adjudicate permit applications for drilling, completion, and remedial well operations which includes evaluation and adjudication of proposed designs for drilling, well control, casing, cementing and other well completion operations.
- Monitor and enforce well spacing rules, production rates, injection well pattern, gas/oil/water ratios, and pressure maintenance efforts.
- Order the unitized management and operation of underground reservoirs of oil and gas when necessary to substantially increase recovery.
- Evaluate and regulate gas flaring for waste determinations.
- Administer Alaska's Underground Injection Control (UIC) program and the annular waste disposal program.
- Inspect drill rigs and wells to insure compliance with AOGCC regulations.
- Witness safety valve, mechanical integrity, blowout preventer and diverter tests.
- Witness meter-proving, calibration, and oil quality tests.
- Collect and maintain all well history files and well log records.
- Collect and maintain all oil and gas production records.
- Provide information to the public and other governmental agencies.
- Provide technical analysis to other state agencies.

## Sharon Long

---

**From:** Sen. Charlie Huggins  
**Sent:** Monday, March 12, 2007 11:44 AM  
**To:** Sharon Long  
**Subject:** FW: New Pom:Oil & Gas

-----Original Message-----

From: POMS@legis.state.ak.us [mailto:POMS@legis.state.ak.us]  
Sent: Monday, March 12, 2007 7:23 AM  
To: Sen. Charlie Huggins  
Subject: New Pom:Oil & Gas

Thomas Wood  
Po Box 770014  
PO Box 14  
Eagle River 99577-0014, akbucket  
akbucket@alaska.com  
907.227.8844

How long are you going to waste our money and diddle around with nonsense such as ethics.

Where's our gas line - too busy fiddling like Nero?

No more Californication of Alaska!!!!

Alaska needs development - not warm and fuzzy feel good nonsense.

**WITNESS LIST – SENATE BILL 109**

**Commissioner John Norman, Alaska Oil and Gas Conservation Commission**

**Judy Brady, Alaska Oil & Gas Association**

**Cheryl Sutton, Staff, Legislative Budget and Audit Committee – 465-2705**