

SCOMM

104:8

0-LS0998VL
Glover
2/11/98

CS FOR HOUSE BILL NO. 274()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY

Offered:

Referred:

Sponsor(s): REPRESENTATIVE GREEN

A BILL

FOR AN ACT ENTITLED

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

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 * Section 1. AS 31.05.005(a) is amended to read:

5 (a) There is created as an independent quasi-judicial agency of the state the
6 Alaska Oil and Gas Conservation Commission, composed of three commissioners
7 appointed by the governor and confirmed by the legislature in joint session. Before
8 making an appointment, the governor may solicit the recommendations of
9 professional or industry representatives for appointment of a commissioner.

10 * Sec. 2. AS 31.05.009 is amended to read:

11 Sec. 31.05.009. Qualifications of members. Members shall be qualified as
12 follows:

13 (1) one member shall be a LEAVE IN [DELETED TEXT] [LICENSED PROFESSIONAL]
14 engineer who

1 (A) holds a certificate of registration as an engineer under
2 AS 08.48 and, under regulations adopted to implement that chapter, has
3 qualified as a petroleum engineer; or

4 (B) has earned a degree from a university [WITH
5 EDUCATIONAL AND PROFESSIONAL BACKGROUND] in the field of
6 engineering and has at least 10 years of professional subsurface
7 experience in the oil and gas industry in drilling, well operations, reservoir
8 engineering, or a combination thereof; for the purposes of this
9 subparagraph, a person meets the requirement of earning a degree in the
10 field of engineering if the person obtains an undergraduate or
11 graduate degree in engineering that meets the requirements for
12 program accreditation by the Engineering Accreditation Commission of the
13 Accreditation Board for Engineering and Technology ^{including and} completing
14 course ^{work} specific to petroleum engineering
15 that illustrate application of engineering principles to the problems
16 encountered and methods used in the petroleum industry, including
17 drilling, production, reservoir engineering, fluid flow through subsurface
18 formations, and hydrocarbon transportation;

19 (2) one member shall be a geologist who

20 (A) holds a certification as a professional geologist under
21 AS 08.02.011; or

22 (B) has earned a degree in the field of geology from a
23 university accredited in the field of geology and has a minimum of 10
24 years professional experience in the [WITH EDUCATIONAL AND
25 PROFESSIONAL BACKGROUND IN THE] field of petroleum geology; and

26 (3) one member who need not be certified, trained, or [AND]
27 experienced in either the field [FIELDS] of petroleum engineering or the field of
28 petroleum geology.

29 * Sec. 3. APPLICABILITY. The provisions of AS 31.05.009, as amended by sec. 2 of this
30 Act, apply to persons appointed under AS 31.05.009 on and after the effective date of this
31 Act.

1

* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HB 274

Revision Date: (Note if correction)
Title: "An Act relating to the qualifications of the members of the Alaska Oil and Gas Conservation Commission..."
Sponsor: Representative Green
Requestor: House Special Committee on Oil and Gas

Department Affected: Administration
BRU: Alaska Oil and Gas Conservation Commission
Component: Alaska Oil and Gas Conservation Commission

COMPONENT SERIAL NO. 2010

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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						
OTHER						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 98) cost: \$ none

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

This bill will not have a financial impact on the day to day operation of the AOGCC. However, it may severely restrict the ability to recruit for the engineer position. Currently, the statutory language is simple and straight forward. It provides that "one member shall be a licensed professional engineer with educational and professional background in the field of petroleum engineering." The language proposed in this bill is very restrictive and limits the pool of engineers from which to choose a commissioner. AS 39.05.100 requires appointment of Alaska residents to boards and commissions. In 1996 the Department of Labor reports that 579 people earned wages in the field of petroleum engineering in Alaska. Of those, the Department of Commerce has licensed only 71 in Alaska, 35 of the licensed engineers list an Alaska address on their registration but this does not mean that they are actually residents of the state. This pool shrinks to 25 when the degree requirements contained in the bill are also taken into consideration.

Prepared by: David Koivuniemi
Division: Department of Administration

Phone: 465-2200
Date: _____

Approved by Commissioner: Mark Boyer
Agency: Department of Administration

Date: 2/4/98

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STATE OF ALASKA

FISCAL NOTE

1998 LEGISLATIVE SESSION

BILL NO. HB 274

ANALYSIS: (continued)

The other concern that this bill raises is the amount of pay for the commissioners. Currently, the engineer seat on the commission pays \$80,244 whereas the AVERAGE pay for petroleum engineers is \$111,222 (from the Department of Labor average 1996 earnings for petroleum engineers that worked in Alaska in all four quarters of 1996). The commission may have to ask for an increase in salaries in order to recruit and retain a petroleum engineer which would also necessitate an increase in salary for the other members of the commission which will require additional funding in the future.

UAF Course Descriptions of Petroleum, Mechanical, and Civil Engineering

	<u>1st Year</u>	<u>2nd Year</u>	<u>3rd Year</u>	<u>4th Year</u>
PETROLEUM ENGINEERING	PETE 104 Survey of Energy Industries	PETE 205 Intro to Petroleum Drilling and Production PETE 211 Drilling Laboratory	PETE 301 Reservoir Rock & Fluid PETE 302 Well Logging PETE 303 Reservoir Rock & Fluid Lab	PETE 407 Petro Production Engineering PETE 411 Drilling Fluids Lab PETE 421 Reservoir Characteristics PETE 426 Drilling Engineering PETE 431 Natural Gas Engineering PETE 456 Petro Evaluation and Economic Decisions PETE 466 Petroleum Recovery Methods PETE 476 Petro Reservoir Engineering PETE 478 Well Test Analysis PETE 481 Well Completions and Stimulation Design PETE 487 Petroleum Project Design PETE 489 Reservoir Simulation
MECHANICAL ENGINEERING			ME 302 Mechanical Design I ME 313 Mechanical Engineering Thermodynamics ME 321 Industrial Processes ME 334 Elements of Material Science/Engineering	ME 403 Mechanical Design II ME 404 Stress Analysis ME 408 Dynamics of Systems ME 409 Controls ME 414 Thermal Systems Design ME 415 Thermal Systems Lab ME 416 Design of Mechanical Equipment for the Petr ME 441 Heat and Mass Transfer ME 450 Theory of Flight ME 451 Aerodynamics ME 452 Intro to Astrodynamics ME 453 Propulsion Systems ME 458 Energy and the Environment ME 464 Corrosion Engineering ME 487 Design Project
CIVIL ENGINEERING	CE 112 Elementary Surveying		CE 326 Intro to Geotechnical Engineering CE 334 Properties of Materials CE 344 Water Resources Engineering	CE 400 EIT Exam CE 402 Intro to Transportation Engineering CE 403 Traffic Engineering CE 404 Highway Engineering CE 415 Advanced Surveying CE 416 Boundary Surveying CE 422 Foundation Engineering CE 423 Intro to Earthquake Engineering CE 425 Advanced Soil Mechanics CE 431 Structural Engineering I CE 432 Structural Engineering II CE 433 Reinforced Concrete Design CE 434 Timber Design CE 438 Design of Engineering Systems CE 441 Environmental Engineering CE 442 Environmental Engineering II CE 445 Engineering Hydrology CE 470 Civil Engineering Internship

0-LS0998VH

Glover

12/5/97

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2 Conservation Commission; and providing for an effective date."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 * Section 1. AS 31.05.009 is amended to read:

5 Sec. 31.05.009. Qualifications of members. Members shall be qualified as
6 follows:

7 (1) one member shall be a person who

8 (A) holds a certificate of registration as an engineer under

9 (i) AS 08.48 and, under regulations adopted to
10 implement that chapter, has qualified as a petroleum [LICENSED
11 PROFESSIONAL] engineer; or

12 (ii) the laws and regulations of another state,
13 territory, or possession of the United States, the District of
14 Columbia, or a foreign country; has been registered as a petroleum

1 engineer in the other jurisdiction; and has completed arctic
2 engineering requirements established by regulation of the State
3 Board of Registration for Architects, Engineers, and Land
4 Surveyors for registration under AS 08.48.191(b), if any;

5 (B) has earned a degree from an accredited university
6 [WITH EDUCATIONAL AND PROFESSIONAL BACKGROUND] in the
7 field of petroleum engineering; for the purposes of this subparagraph, a
8 person meets the requirement of earning a degree in the field of petroleum
9 engineering if the person obtains an undergraduate or graduate degree in
10 petroleum engineering that meets the requirements for program
11 accreditation by the Engineering Accreditation Commission of the
12 Accreditation Board for Engineering and Technology and that requires
13 successful completion of courses specific to petroleum engineering that
14 illustrate application of appropriate engineering principles to the problems
15 normally encountered in the petroleum industry in the activities of drilling,
16 production, reservoir engineering, or a combination thereof; and

17 (C) has a minimum of five years of professional experience
18 in the field of petroleum engineering;

19 (2) one member shall be a geologist who

20 (A) holds a certification as a professional geologist under
21 AS 08.02.011;

22 (B) has earned a degree in the field of geology from an
23 accredited university; and

24 (C) has a minimum of five years of [WITH EDUCATIONAL
25 AND] professional experience [BACKGROUND] in the field of petroleum
26 geology;

27 (3) one member need not be trained and experienced in the fields of
28 petroleum engineering or petroleum geology.

29 * Sec. 2. APPLICABILITY. The provisions of AS 31.05.009, amended by sec. 1 of this
30 Act, apply to persons appointed under AS 31.05.009 on and after the effective date of this
31 Act.

1 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

Alaska State Legislature

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DEVELOPMENT
ALASKA COURT SYSTEM

Representative Joe Green
District 10

Sponsor Statement

HB 274 - Qualifications for service on the 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 and Gas Conservation Commission (AOGCC) is charged - prevention of waste, protection of cor. elative 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, appointed by the Governor, and confirmed by the legislature, as required by statute, to participate in the oversight of these types of conservation operations.

HB 274 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, have education in the field of petroleum engineering, and have experience in the field of petroleum engineering. Additionally, one member will be required to hold a certificate as petroleum geologist, have earned a degree in the field of geology from an accredited university, and have field experience in the field of petroleum 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 conserve and manage our resources to the highest possible standards. HB 274 is an attempt, not to establish that high standard, but rather, to establish the floor below which we will never go again.

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 of 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.

oil and gas conservation commission

Core Services

- Prevent waste of Alaska's oil and gas resources
- Protect correlative rights of the mineral interest owner
- Maximize recovery of oil and gas for the benefit of Alaska's citizens
- Protect freshwater from contamination by oil/gas/mud during drilling, production, and abandonment operations
- Administer Alaska's Underground Injection Control program for oil and gas wells
- Inspect oil field drilling, production, metering, and abandonment activities
- Evaluate, modify, and approve drilling and workover operations
- Evaluate, modify, and approve oil pool development rules
- Adjudicate disputes between owners
- Maintain state production records
- Maintain well history files and well records

Customers

- Oil and gas industry ● Concerned citizens and organizations ● Alaska Department of Natural Resources ● Alaska Department of Revenue ● U.S. Department of the Interior ● U.S. Environmental Protection Agency