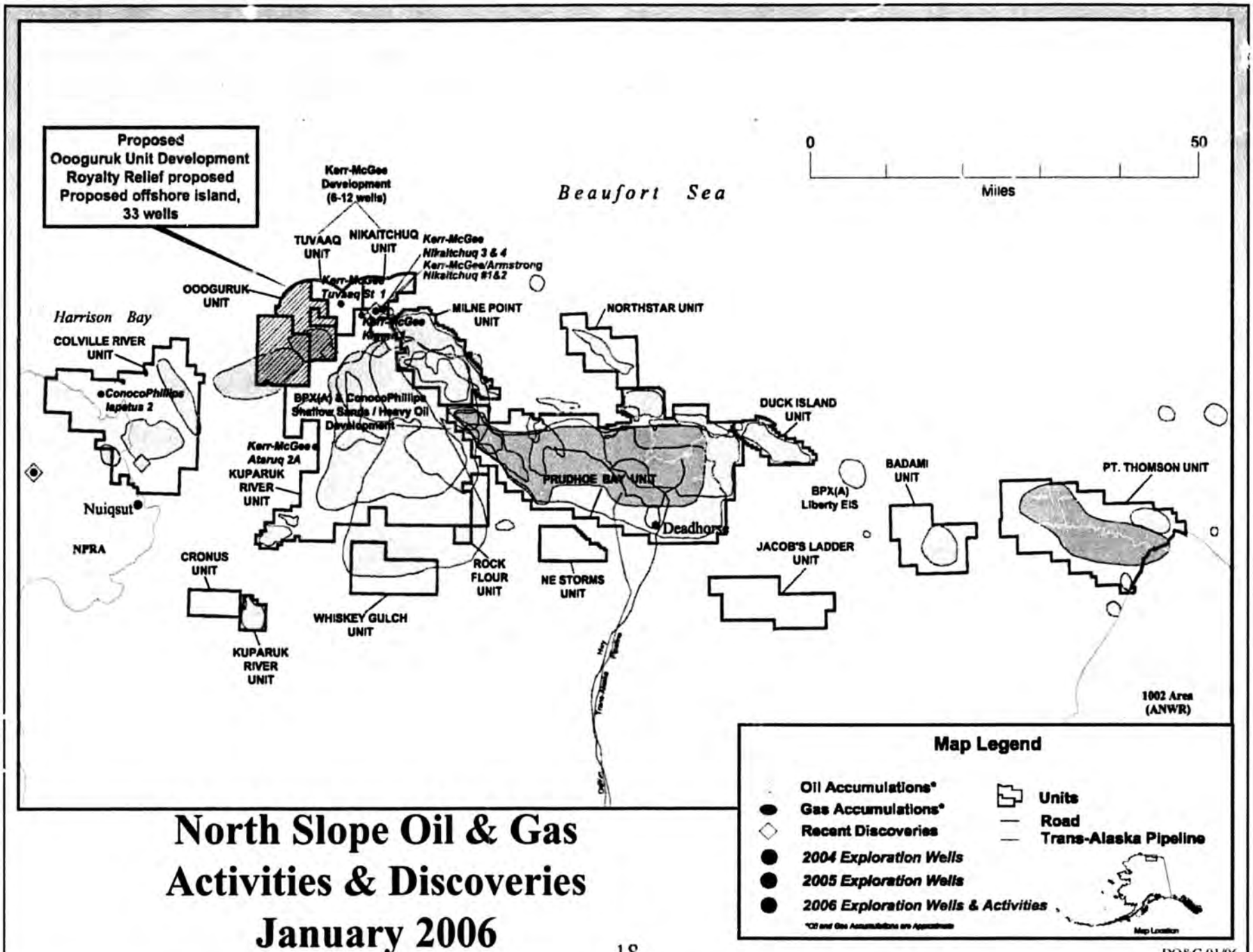
ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

3123 SCOMM 104: HOUSE SPECIAL COMMITTEE ON OIL & GAS 2005-2006



North Slope Oil & Gas Activities & Discoveries January 2006

DO&G 01/06

North Slope Development Activities

2004 - 2005

Northern Alaska

Project Name	Status	Expected Start-Up Date	Estimated Reserves or Expected Production
Milne Point Unit - Sag River PA	Sag River formed - 12 wells planned (2 per year)	2006	Not disclosed
Prudhoe Bay Oil and Gas Rim	In 2004 completed facility upgrades and approximately 26-35 rotary drilling penetrations and 28-35 coiled tubing penetrations.	Producing	Forecast for Ivishak producing area in 2005 is approx. 400,000 BOPD including downtime and NGLs
PBU Borealis	Ongoing infill development drilling in expanded PA	Producing	20,200 BOPD current field rate, 35,000 BOPD planned long-term
KRU West Sak	I Pad Development Sanctioned	2006-2007	Not disclosed
Shallow Sands/ Heavy Oil (West Sak/Schrader Bluff)	Continuing drilling and development At PBU/MPU/KRU	Producing	1.0 - 1.5BBO recoverable. 43,000 BOPD Current Rate 140 MBOPD by 2010 (est)
CRU Satellite Development: CD3 - Fiord & CD4 - Nanuq. Add 2 Satellite Drillsites for Fiord pool & Nanuq pool	Gravel pads in-place; Development drilling started 4th Qtr 2005 & expected to continue through Spring 2008	CD3 - Fiord: August 2006 CD4 - Nanuq: November 2006	CD3 - Fiord: 20,000 - 24,000 BOPD at peak production CD4 - Nanuq: 10,000 - 13,000 BOPD at peak production
CRU ACX-1 & ACX-II: Various Facility Expansion Projects: Additions and upgrades to Oil & Gas Processing Capacity, Produced Water System & Handling, Seawater Injection System	Completed July 2005	---	30,000 - 35,000 BOPD increment
CRU ACX-III: Add equipment to optimize Alpine & Alpine Satellites enhanced oil recovery projects, & add reserves by recovering & selling heavier condensate components from produced gas stream	Project underway	Mid - 2006	4,000 BOPD incremental
Nikaitchuq Development	Multiple discoveries, evaluating development scenarios & royalty relief	2008	Not disclosed
Point Thomson	Development Plan part of SGDA negotiations	??	75,000 bbls. condensate/day
Liberty Development (OCS)	EIS for onshore extended reach drilling under way	??	120MMBO recoverable (est)
Oooguruk Development	Multiple discoveries, evalutating development scenarios and royalty relief granted	2007	15,000 - 20,000 BOPD
Cronus Unit	1 exploration well planned for 2006	2007	Not disclosed

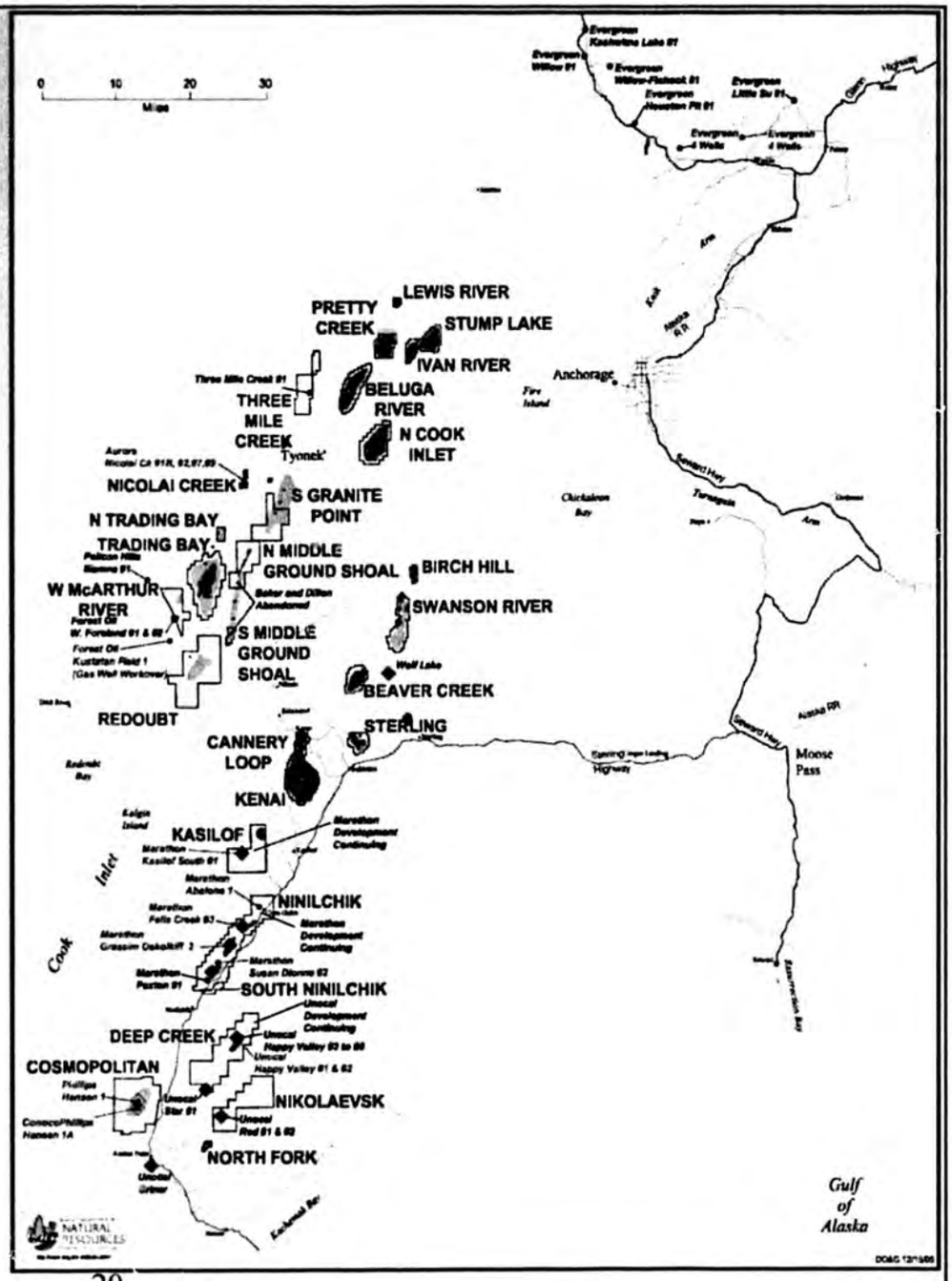
Cook Inlet Oil & Gas Activities & Discoveries December 2005

Map Legend

- Units
- Oil Accumulations*
- Gas Accumulations*
- Recent Oil Discoveries
- Recent Gas Discoveries
- *2004 Active and Proposed Exploration Wells*
- *2003 Exploration Wells*
- Platforms
- Road
- Alaska Railroad

Map Location

*Oil and Gas Accumulations are Approximate



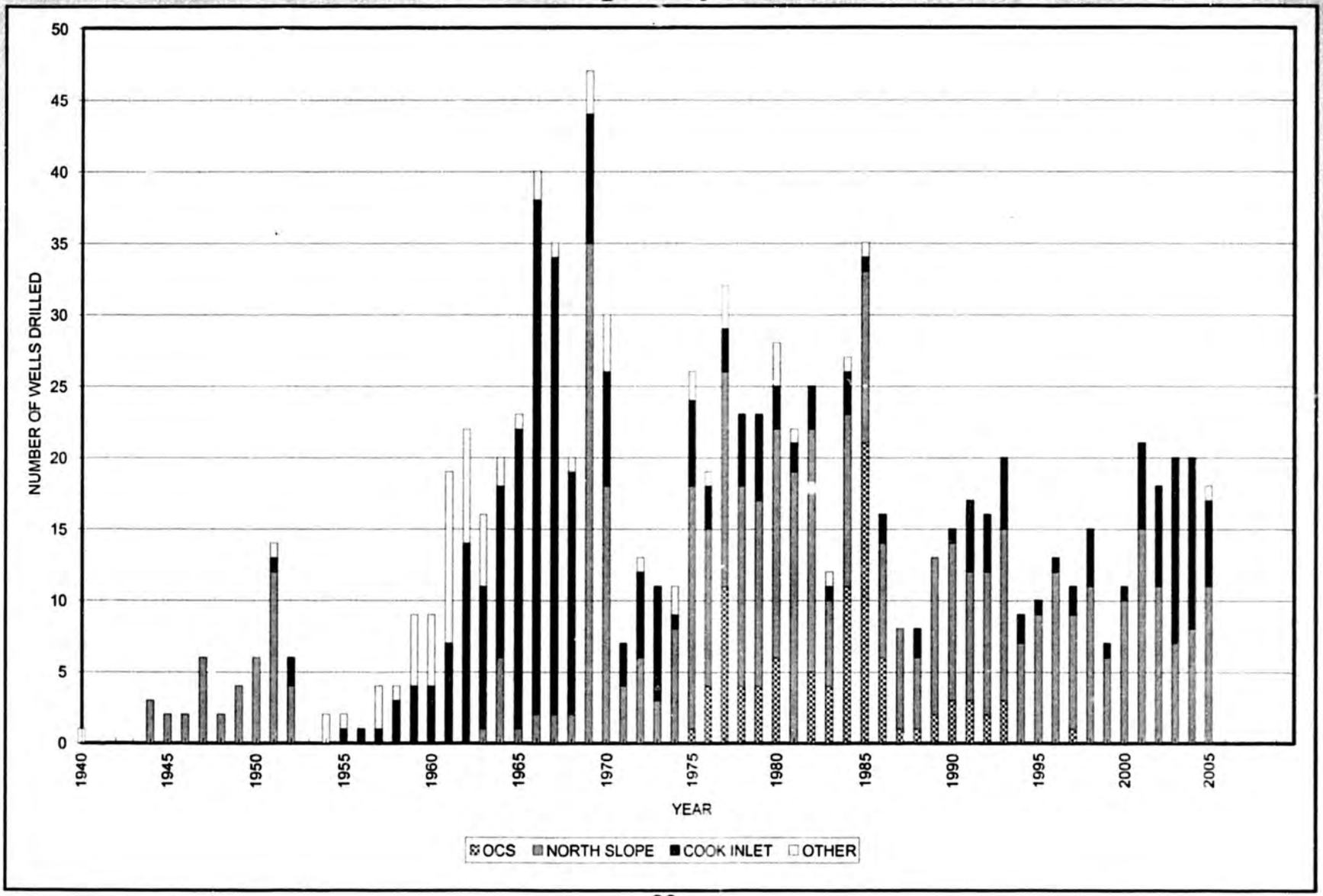
DO&G 12/05

Exploration Wells Drilled FY05 to 12/1/05

NORTH ALASKA (9):		
TUVAAQ #1	KERR-MCGEE	STATE LAND
KIGUN #1	KERR-MCGEE	STATE LAND
NIKAITCHUQ #3	KERR-MCGEE	STATE LAND
NIKAITCHUQ #4	KERR-MCGEE	STATE LAND
ATARUQ #2	KERR-MCGEE	STATE LAND
ATARUQ #2A	KERR-MCGEE	STATE LAND
IAPETUS #2	CONOCO PHILLIPS	STATE LAND
KOKODA #1	CONOCO PHILLIPS	NPR-A
KOKODA #5	CONOCO PHILLIPS	NPR-A
COOK INLET BASIN (11):		
KOLOA #2	AURORA GAS LLC	CIRI
LONG LAKE #1	AURORA GAS LLC	MHT
THREE MILE CK. UNIT #1	AURORA GAS LLC	STATE
MOQUAWKIE #3	AURORA GAS LLC	CIRI
LONE CREEK #3	AURORA GAS LLC	CIRI
ASPEN #1	AURORA GAS LLC	CIRI
RED #1	UNOCAL	STATE
RED #2	UNOCAL	STATE
STAR #1	UNOCAL	STATE
NORTH BELUGA #1	PELICAN HILLS	STATE
ILIAMNA #1	PELICAN HILLS	STATE
COPPER RIVER BASIN (1):		
AHTNA #1-19	RUTTER-WILLBANKS	AHTNA

Alaska Exploration Well Data

Grouped by Area



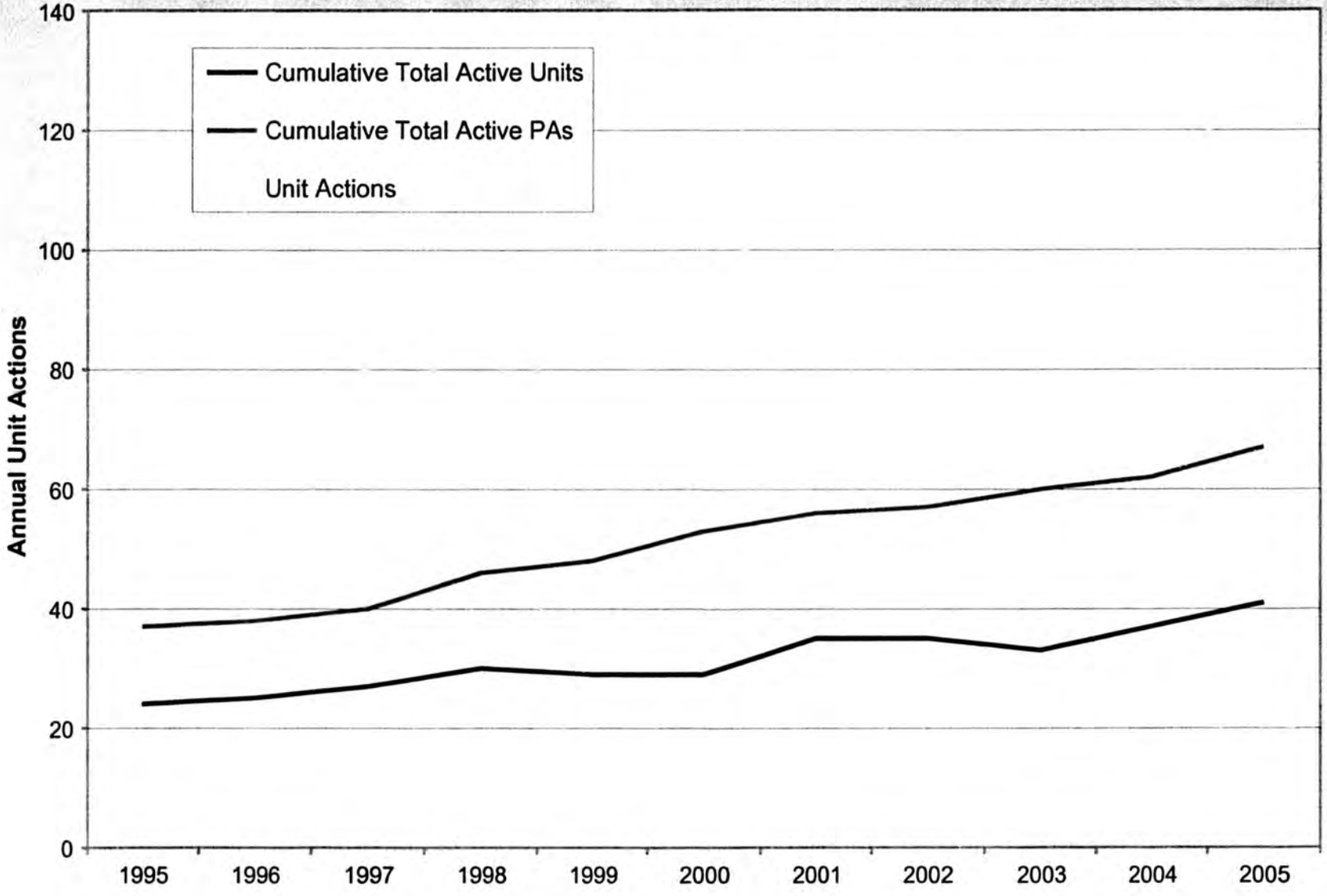
jrc 12/05

Recent New Units

- Whiskey Gulch (Brooks Range)
- Rock Flour (ENI)
- Jacob's Ladder (Anadarko)
- Cronus (ConocoPhillips)
- NE Storms (Pioneer)

Units, Participating Areas, and Unit Actions per Year

As oil and gas development expands in Alaska, the demand for timely unit decisions and evaluations by the division continues to grow.



ajc 12/05

Contribution to Department's Mission

The Division of Oil and Gas manages oil and gas lands in a manner that assures both responsible oil and gas exploration and development and maximum revenues to the state.

Core Services

A. Encourage Exploration and Development:

- Make prospective lands available for oil and gas exploration, development, and production on a predictable basis.
- Provide publicly available existing and new oil and gas related information to technical users, the general public, and the press through technical publications, informational pamphlets, the website, or personal contact.
- Provide technical and policy support for the Alaska Congressional Delegation, the Governor's office, the Legislature, and the Commissioner of DNR.
- Adjudicate exploration permits effectively and maintain a proactive inspection program.

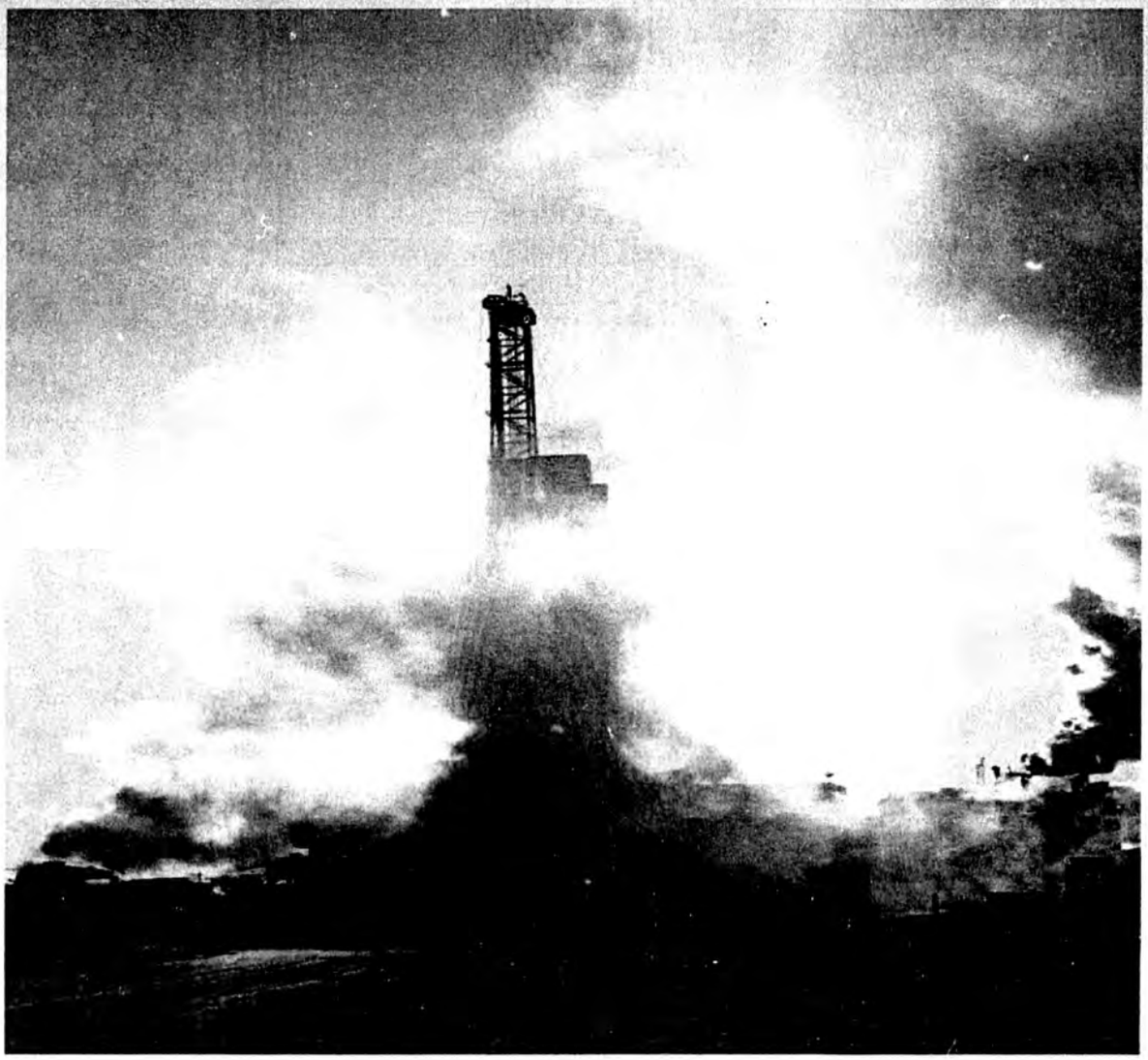
B. Maximize Benefits of Development and Production to the State:

- Administer conventional oil and gas leases and exploration licenses, as well as exploration incentive programs.
- Maximize the economic and physical recovery of hydrocarbon resources through unitized or cooperative operations.
- Ensure that exploration, leasehold, and unit-related operations are conducted in a timely and environmentally sound manner.
- Advocate responsible oil and gas development throughout the State.
- Analyze and negotiate royalty reduction requests.

C. Maximize Non-tax Revenue from State Oil and Gas Production:

- Ensure that full value is received from the extraction and sale of State oil and gas resources.
- Develop marketing strategies and negotiate agreements for the sale of royalty oil and gas to provide in-State benefits and revenue enhancements.
- Ensure that bonus, rental, license fees, net profit, and royalty payments are correct, allocated to the proper revenue fund and received when due.
- Ensure that shared federal bonus, rent, and royalty are properly received and allocated to the proper revenue fund
- Conduct North Slope gas pipeline and gas treatment plant contract, LLC and project scope analysis and negotiations.

Feedback/Questions



SCOMM

144:16

Alaska Oil and Gas Conservation Commission (AOGCC)

Overview and Update
&
Permitting Description

Photo of Alpine Field taken by Lou Grimaldi

AOGCC
Overview and Update

- What we do at the AOGCC
- Staffing and organization
- 2005 highlights
- Industry activity
- Current challenges and projects

What we do at the AOGCC

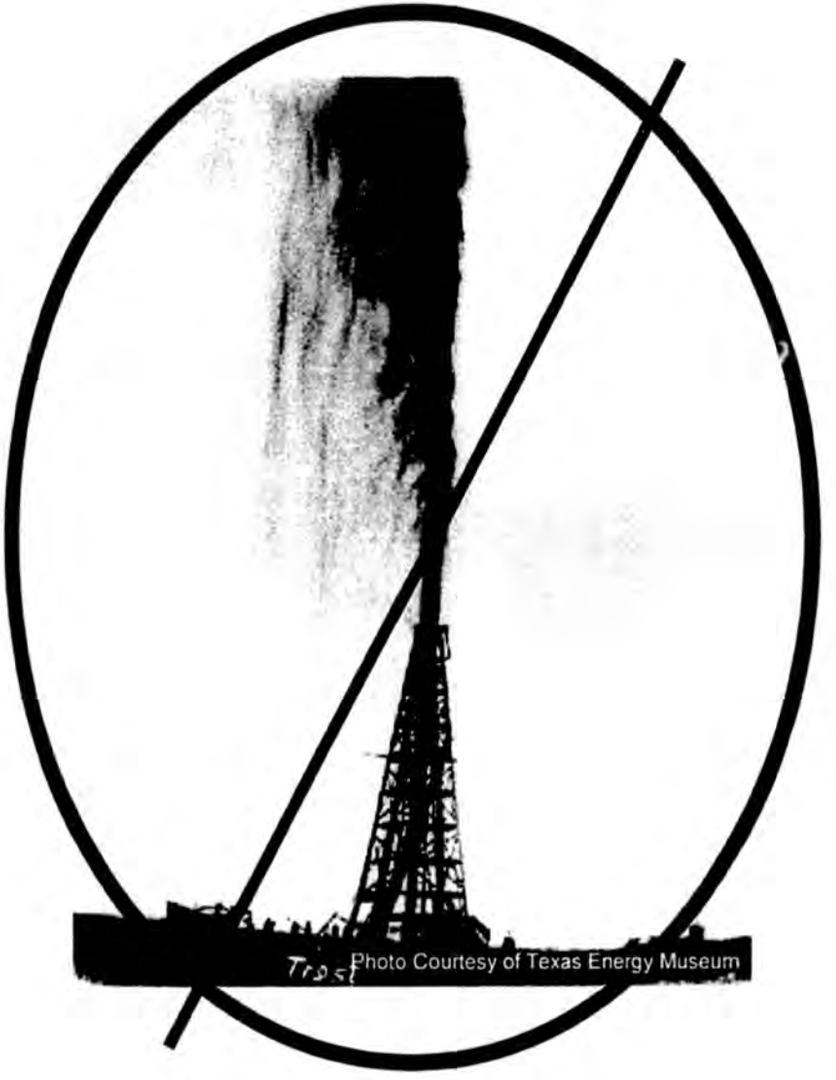
- Quasi-judicial State regulatory agency
  - Oversight for underground operations
    - Alaska private and public lands and waters
    - All but Denali National Park
- Regulate drilling and production for oil & gas
- Protect correlative rights
- Promote greater ultimate recovery
- Manage Class II UIC program of the EPA
  - Protect underground fresh water

AOGCC website: www.aogcc.alaska.gov

AOGCC Goals and Strategies

PREVENT PHYSICAL WASTE OF THE RESOURCE

- **Evaluate drilling programs to ensure proper well design, construction and well control equipment.**
- **Inspect wells and drilling projects to verify compliance with approved regulations, procedures and safety requirements for drilling and production practices.**
- **Evaluate proposals for reservoir development.**

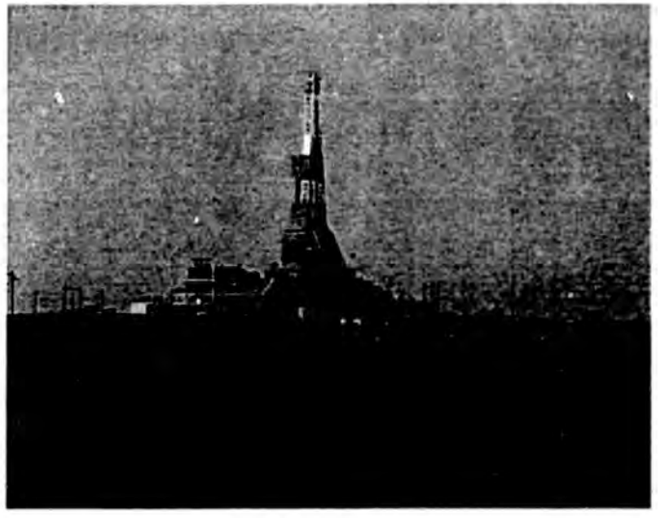


AOGCC Goals and Strategies (Continued)

PROMOTE GREATER ULTIMATE RECOVERY

- **Analyze production data, including reservoir pressures, gas-oil ratios, water cut, etc., to ensure these variables fall within the required parameters necessary to provide for greater ultimate recovery.**

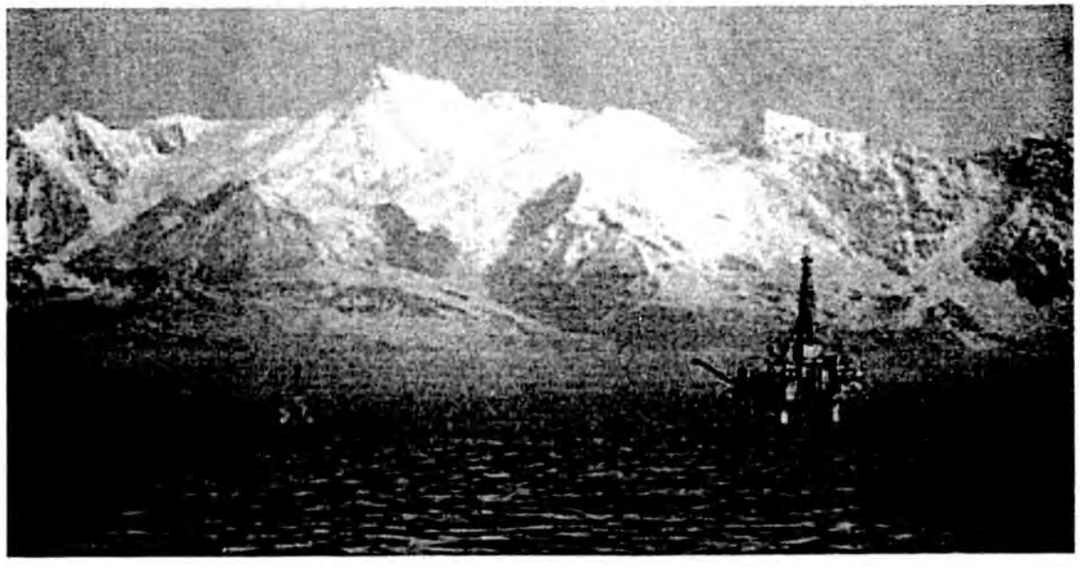
- **Review and approve development proposals, including plans for enhanced oil recovery operations and gas development.**



AOGCC Goals and Strategies (Continued)

INDEPENDENTLY ASSESS OIL AND GAS DEVELOPMENT

- **Independently audit/verify that oil and gas proposals are in compliance with the purposes and intent of Title 31.**

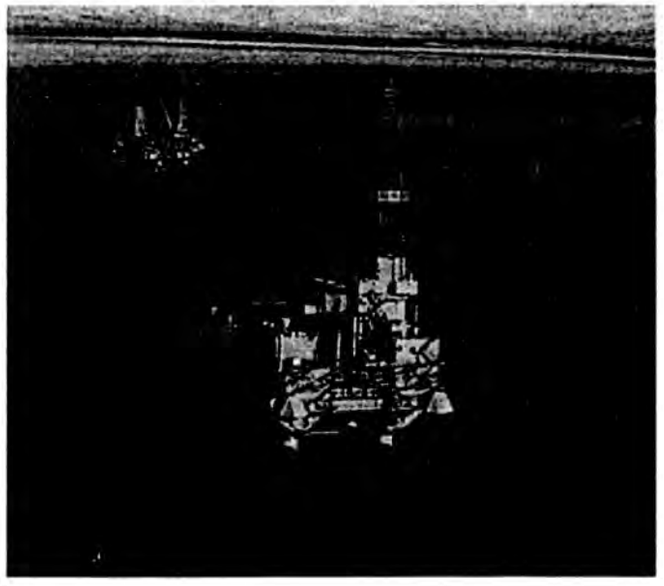


AOGCC Goals and Strategies (Continued)

PROTECT ALASKA'S UNDERGROUND SOURCES OF DRINKING WATER

- **Provide engineering and geological review of all applications for EOR & underground disposal of drilling wastes.**

- **Provide engineering and geological review of all applications to drill oil and gas wells.**



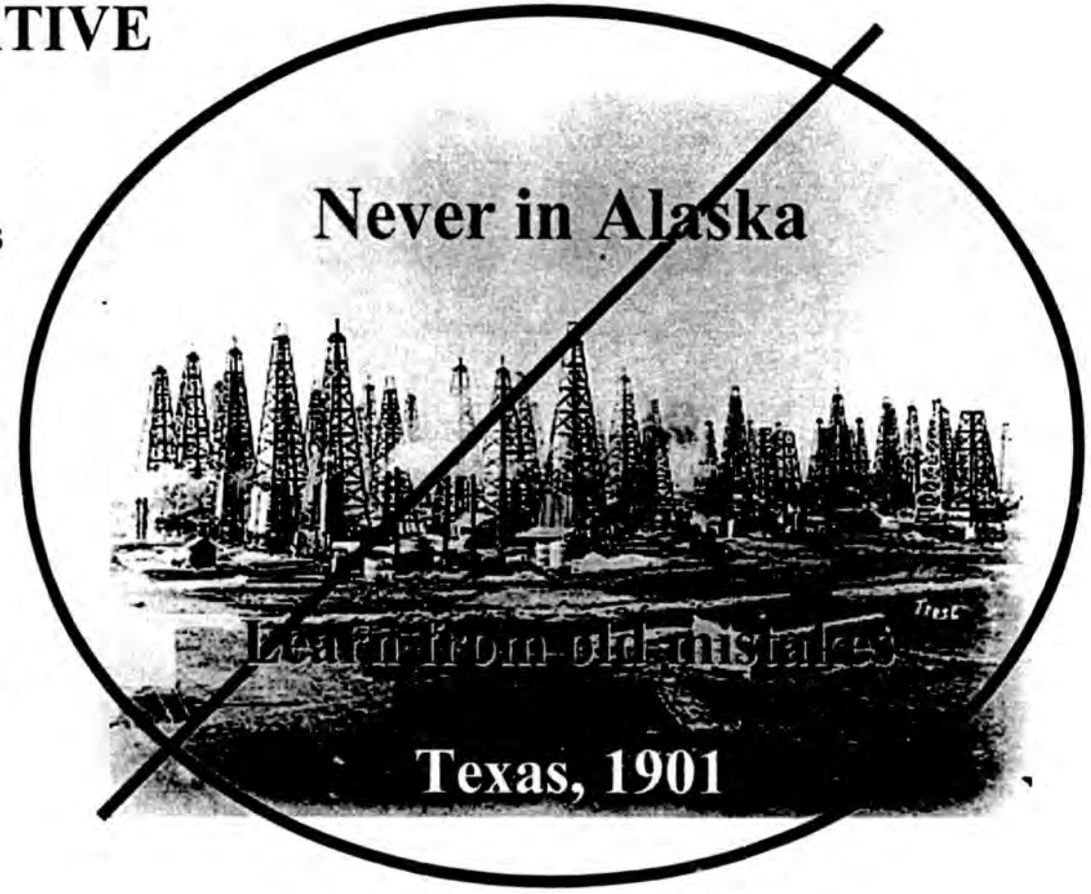
AOGCC Goals and Strategies (Continued)

PROTECT CORRELATIVE RIGHTS

- **Provide all owners of oil and gas rights the opportunity to recover their fair share of the resource through well spacing regulations, permit review, and pooling authority.**

WHEN NECESSARY ADJUDICATE DISPUTES BETWEEN OWNERS

- **Provide a public forum to resolve disputes between owners.**

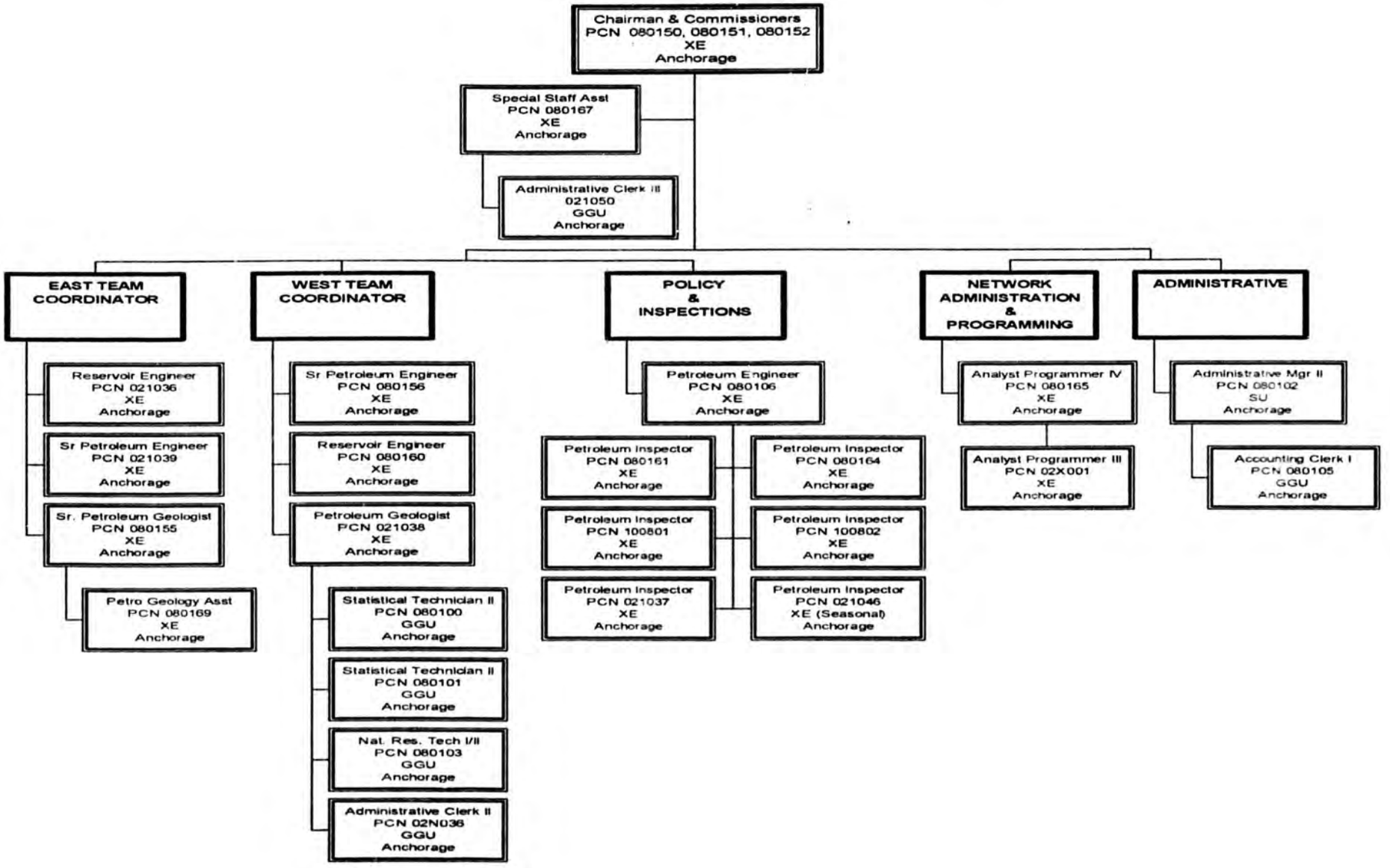


Where Does AOGCC Fit In?

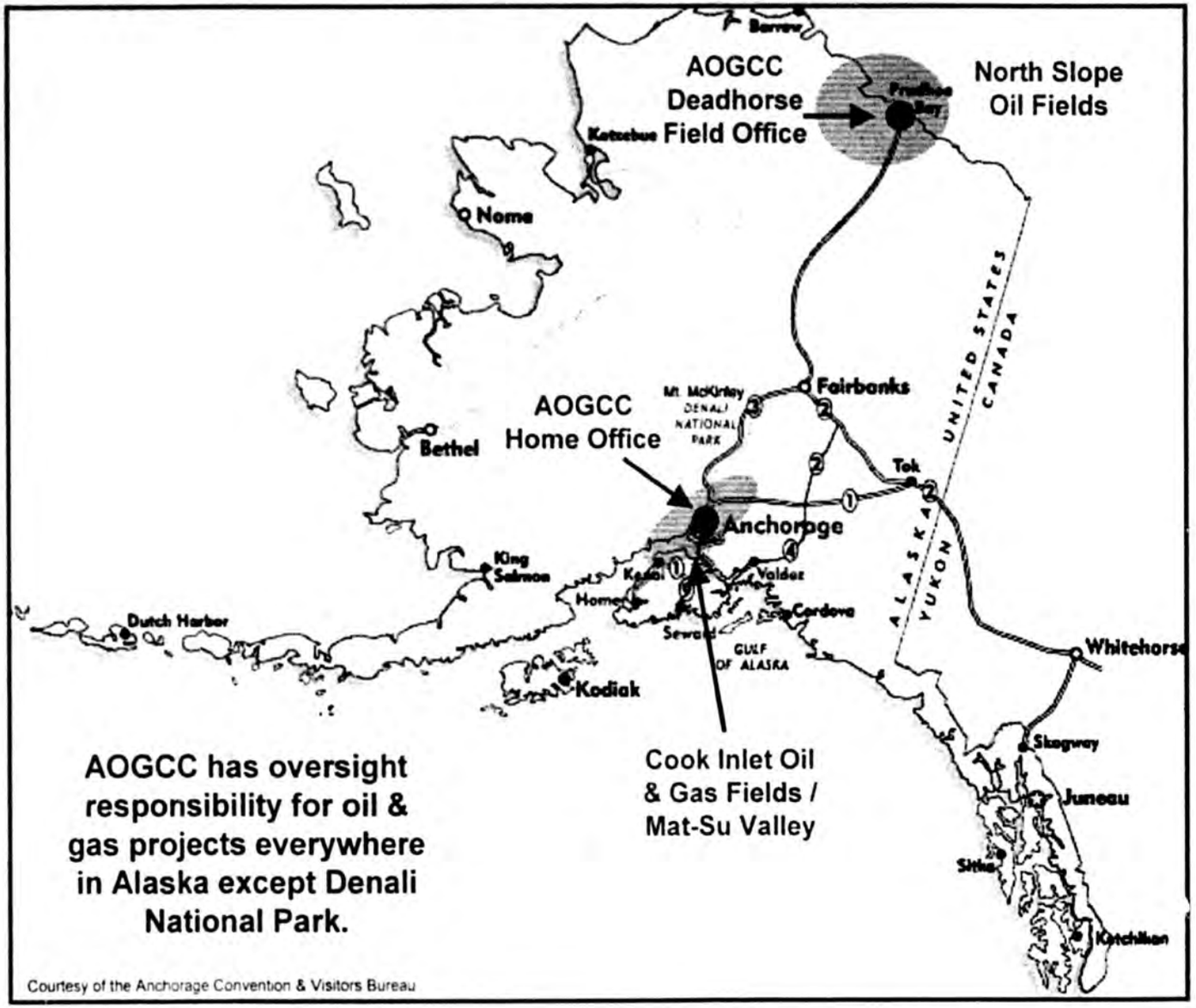
Issues	Oil Company (Regulated Community)	Land Owner (e.g. DNR DOG or Native Corporation)	ADEC (Exercises Police Powers of the State)	AOGCC (Exercises Police Powers of the State)
Ownership of Resource	Lessee of Oil & Gas Lease (Has Right to Drill and Produce)	Landlord & Lessor of Oil & Gas Lease	Role Is Regulatory, Not Proprietary- Mainly Surface & Air	Role Is Regulatory, Not Proprietary- Mainly Sub-surface
Jurisdiction	Only on Lands Where They Have Right to Drill and Produce	Owner's Land Only	State, Federal and Private Lands	State, Federal and Private Lands
Economics	Profit Oriented	Manages Owned Resources for Revenue & Other Values	Regulates to Protect environment	Regulates to Prevent Waste, Protect Correlative Rights, & Promote Greater Recovery
Net $$ Interest	Owns Majority of Production	Owns Minority of Production (Royalty Interest)	None- Regulates Only	None- Regulates Only

AOGCC generally regulates sub-surface activities.
ADEC and other agencies have regulatory authority over most surface activities.

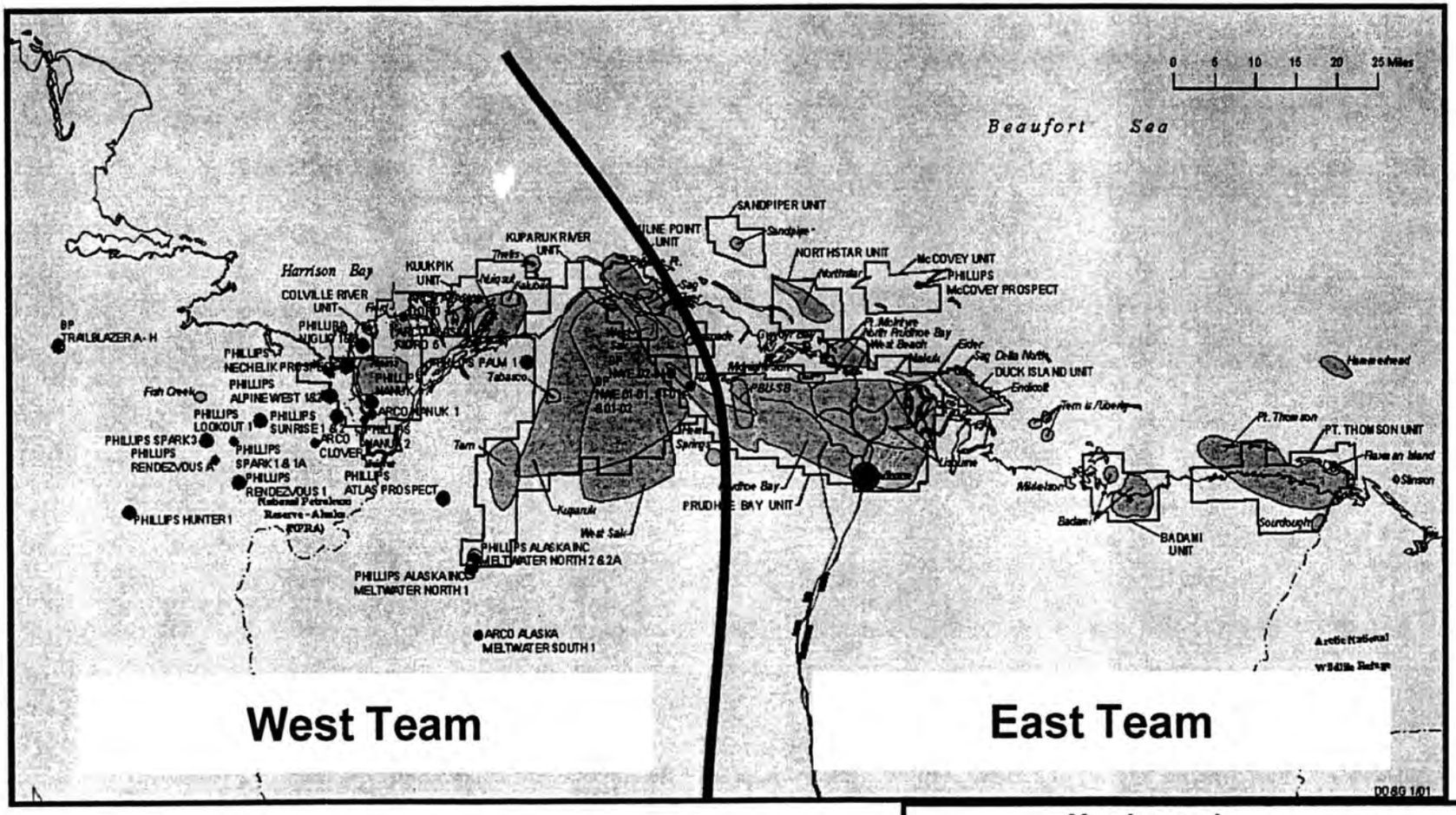
AOGCC Staffing



Work Sites


AOGCC
Deadhorse
Field Office
North Slope
Oil Fields
Barrow
Kotzebue
Nome
AOGCC
Home Office
Mt. McKinley
DENALI
NATIONAL
PARK
Fairbanks
Bethel
Tok
Anchorage
King
Salmon
Kenai
Homer
Valdez
Cordova
Seward
GULF
OF ALASKA
Dutch Harbor
Kodiak
ALASKA
YUKON
UNITED STATES
CANADA
Whitehorse
Skagway
Juneau
Sitka
Ketchikan
AOGCC has oversight responsibility for oil & gas projects everywhere in Alaska except Denali National Park.
Cook Inlet Oil
& Gas Fields /
Mat-Su Valley
Courtesy of the Anchorage Convention & Visitors Bureau

North Slope



Geographic Delineation of Decisions Teams

Map Legend

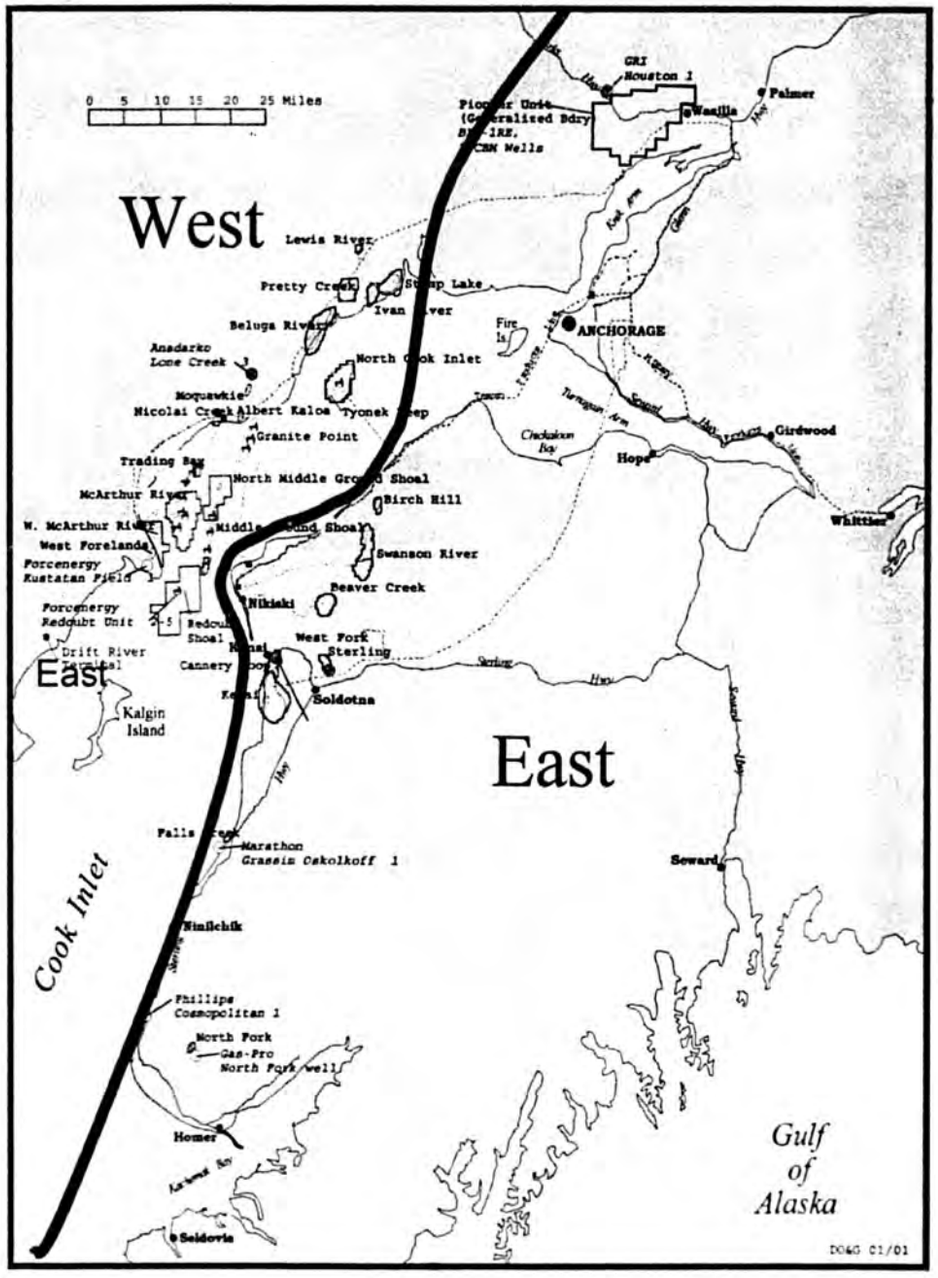
- Units
- *Oil Field / Accumulation*
- 2001 Prospects
- Active Wells
- Road
- Trans-Alaska Pipeline

Cook Inlet

Map Legend

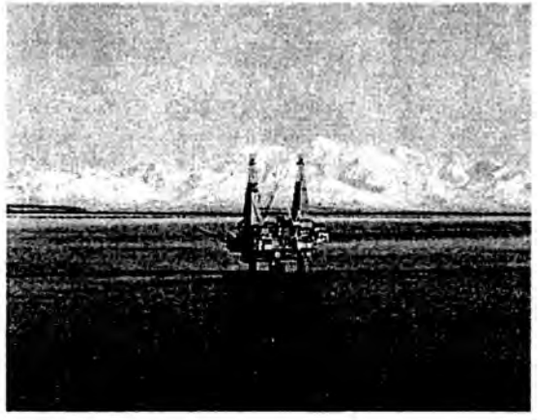
- Unit Boundary
- Oil Field / Accumulation
- Gas Field / Accumulation
- Selected Wells
- Proposed / Active Wells
- Platform
- Pipelines
- Production Facility

Geographic Delineation of Decisions Teams



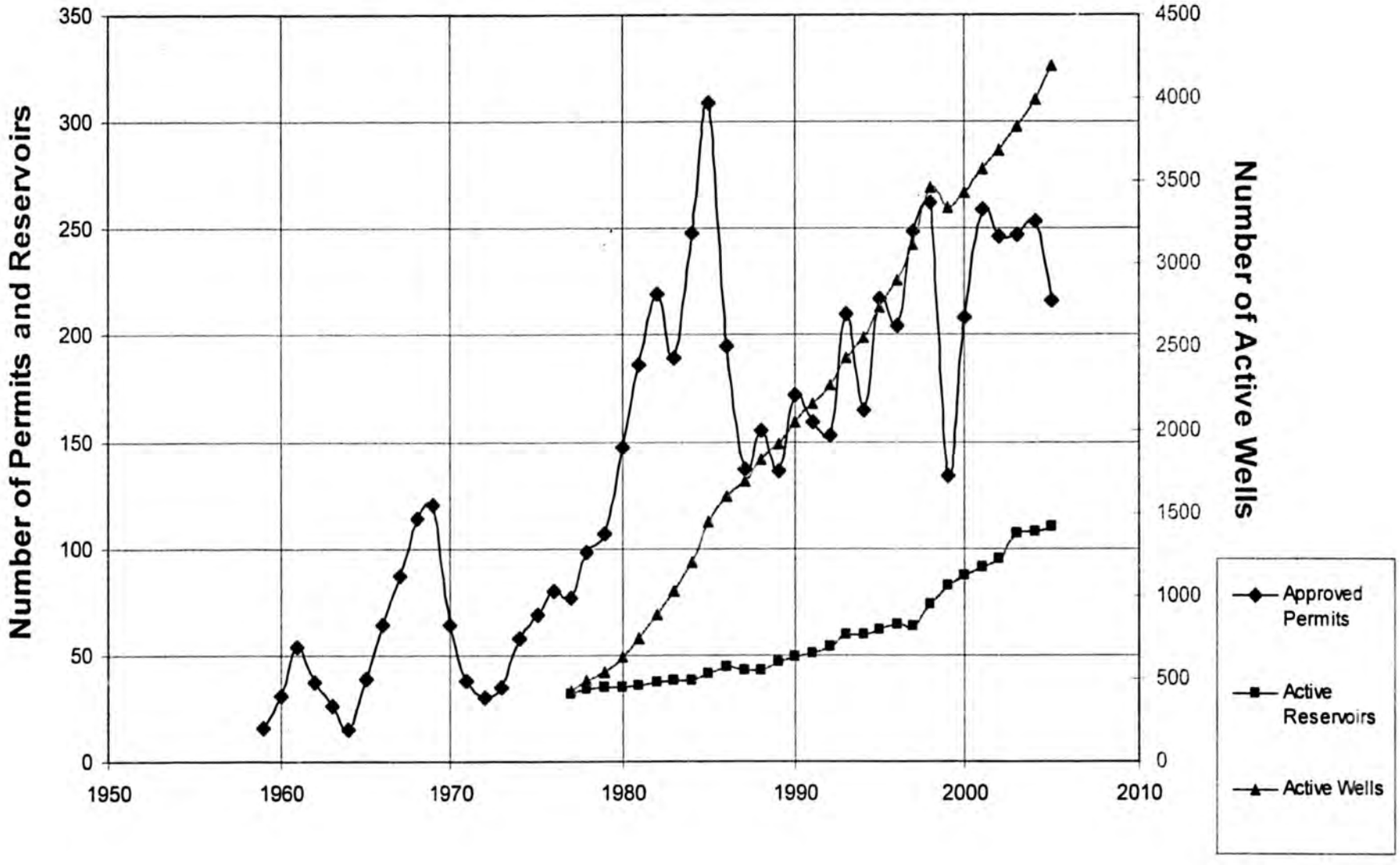
AOGCC 2005 Highlights

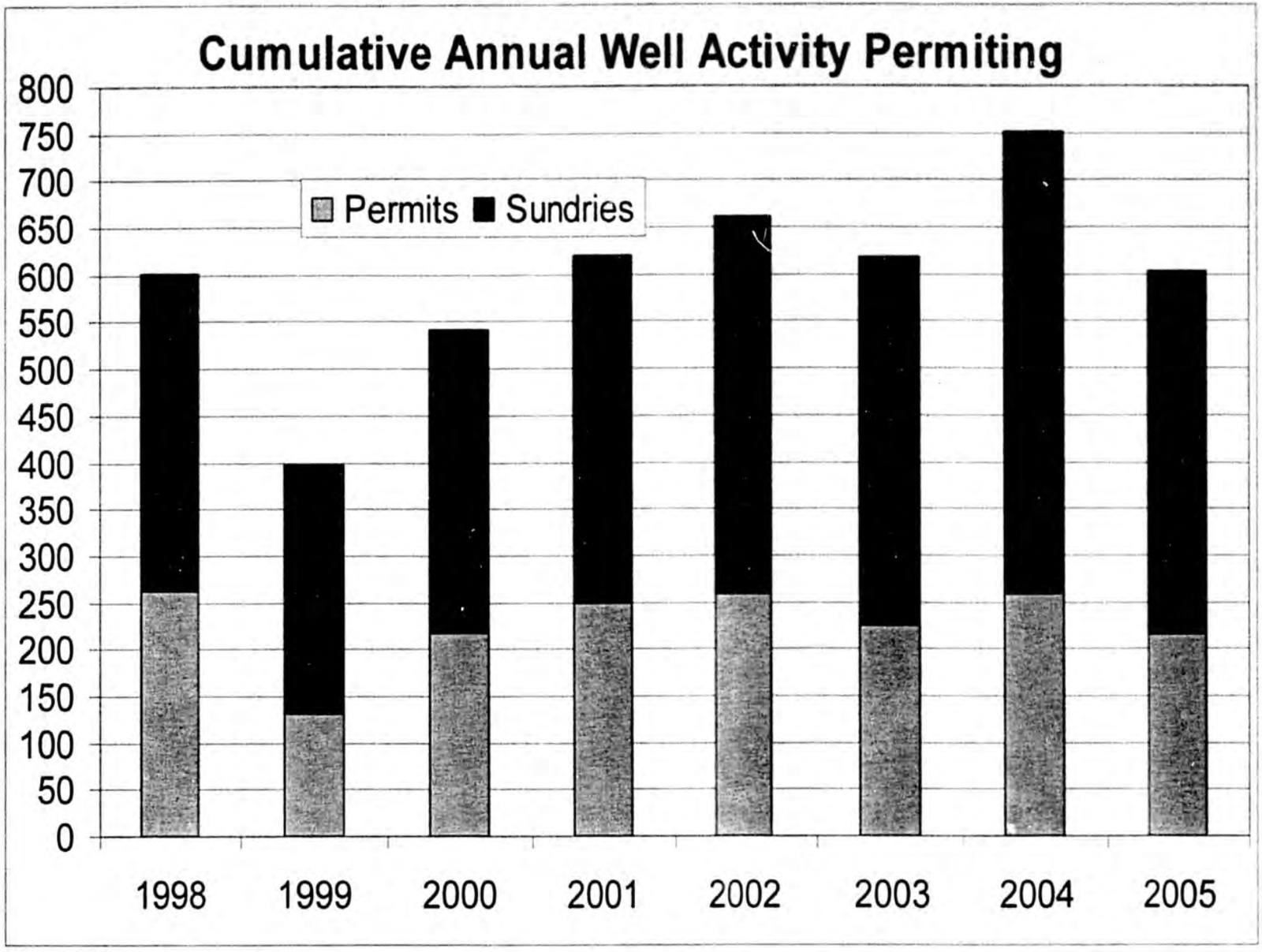
- Key accomplishments
  - 88 orders and approvals
  - 216 drilling permits approved
  - 388 sundry applications approved
  - 5 enforcement actions



- Highlights of rulings and findings
  - 8 orders establishing / modifying pool rules
  - 7 orders approving / extending pilot projects
  - 8 orders approving / modifying enhanced oil recovery
  - 2 orders approving underground storage of hydrocarbons
  - 9 orders approving / modifying / denying disposal injection operations
  - 4 orders reducing paperwork for routine operations

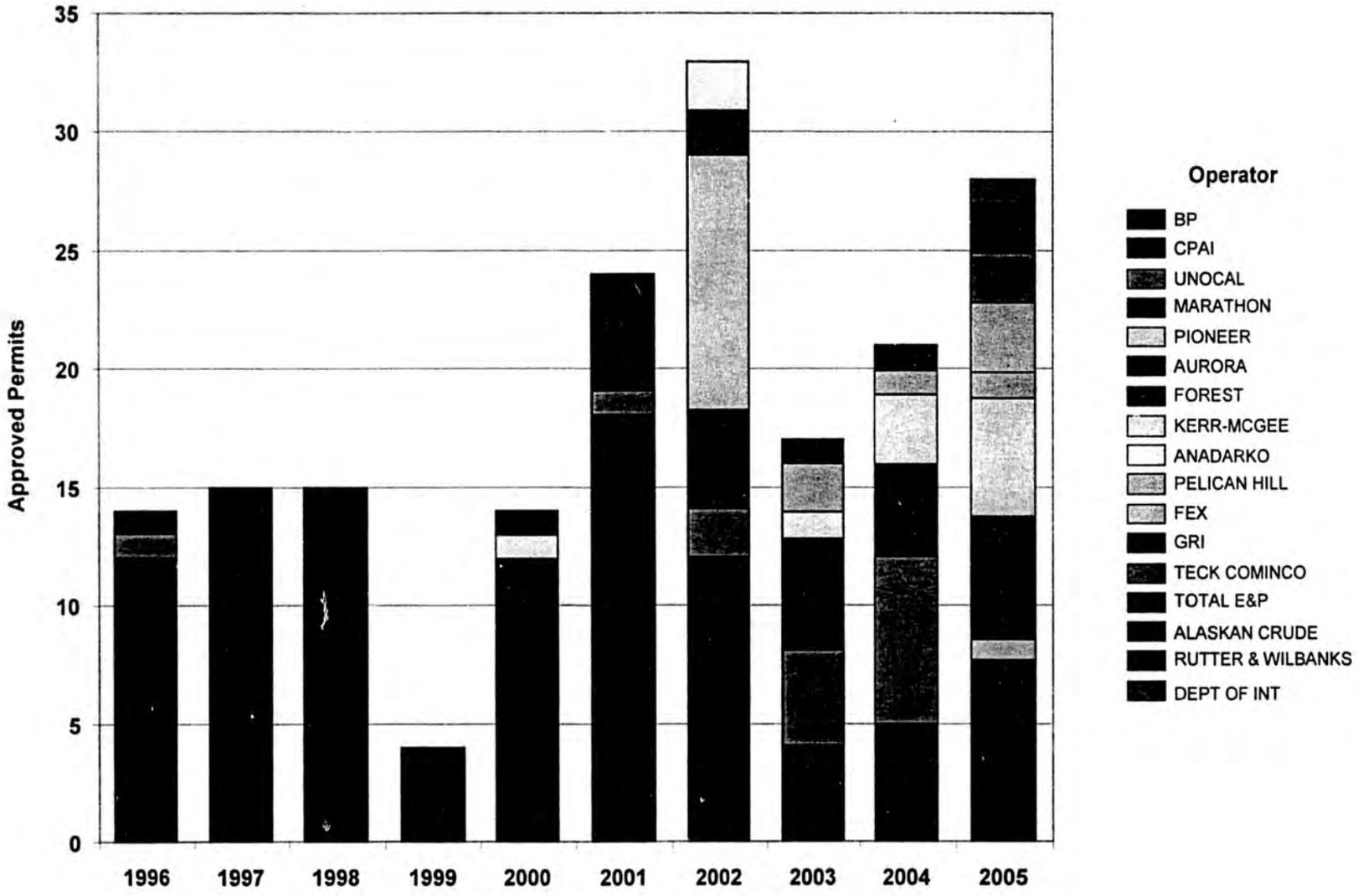
Alaska Oil & Gas Activity





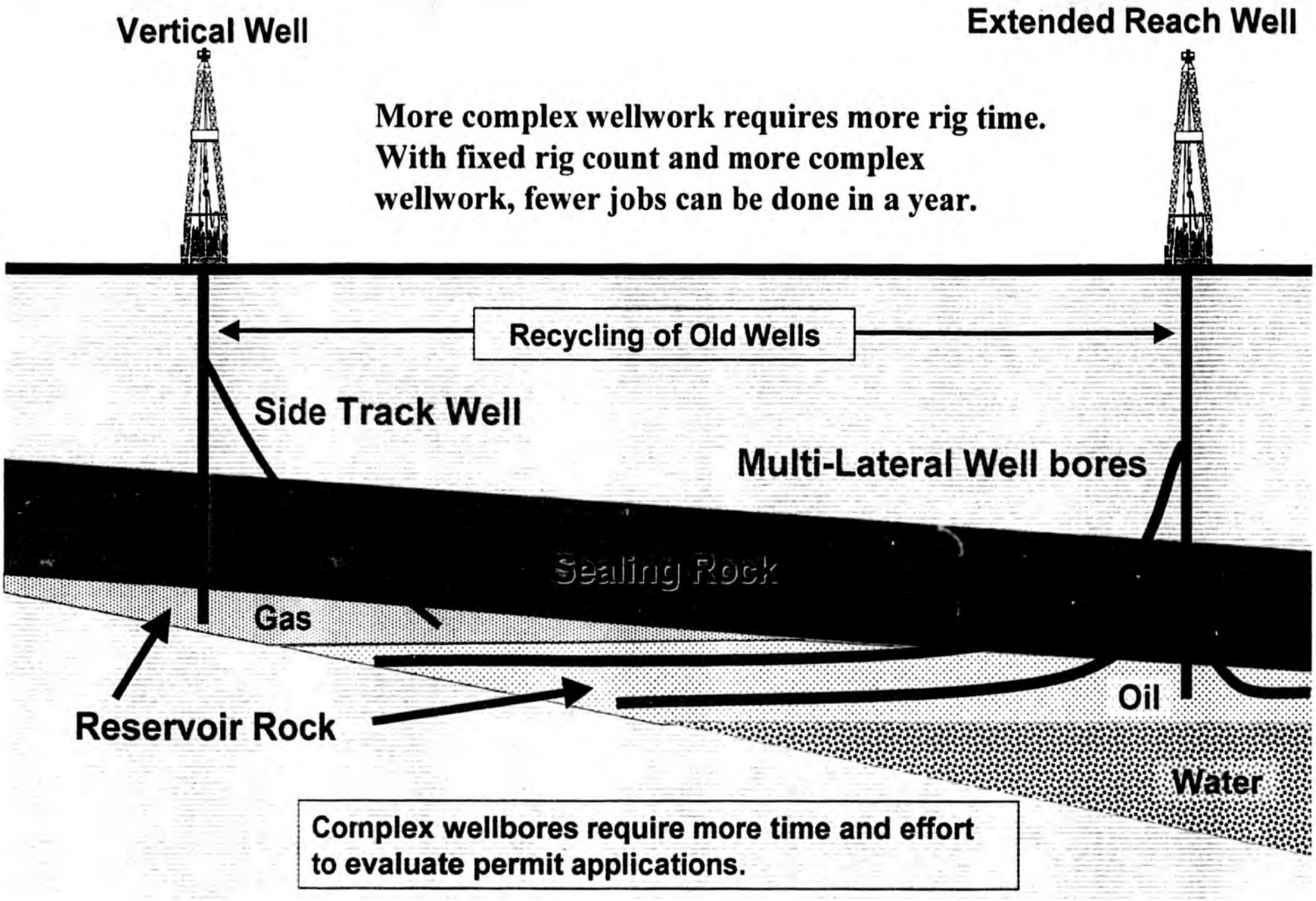
In 2005, activity did not decrease. Wellwork complexity and time per job increased.

EXPLORATORY WELL PERMITS (1996 - 2005)



EXPLORATORY WELL PERMITS (1996 - 2005)

OPERATOR	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Total
CONOCOPHILLIPS ALASKA INC	9	10	4	3	8	17	10	4	5	7	**77**
BP EXPLORATION (ALASKA) INC	3	4	8	1	1	1	2				**20**
UNION OIL CO OF CALIFORNIA	1					1	2	4	7		**15**
MARATHON OIL CO	1		1		1	2	4	3	1	1	**14**
PIONEER NATURAL RESOURCES ALASKA, INC.							11			1	**12**
AURORA GAS LLC			1					2	3	4	**10**
FOREST OIL CORP		1			2	3	2			1	**9**
KERR-MCGEE OIL & GAS CORP									3	5	**8**
ANADARKO PETROLEUM CORPORATION					1		2	1			**4**
PELICAN HILL OIL AND GAS INC.								2	1	1	**4**
FEX L.P.										3	**3**
GRI INC			1		1						**2**
TECK COMINCO ALASKA INCORPORATED										2	**2**
TOTAL E&P USA, INC.								1	1		**2**
ALASKAN CRUDE CORP										1	**1**
RUTTER AND WILBANKS CORPORATION										1	**1**
U S DEPT OF INTERIOR										1	**1**
Year Totals	**14**	**15**	**15**	**4**	**14**	**24**	**33**	**17**	**21**	**28**	**185**


Vertical Well
Extended Reach Well
More complex wellwork requires more rig time.
With fixed rig count and more complex
wellwork, fewer jobs can be done in a year.
Recycling of Old Wells
Side Track Well
Multi-Lateral Well bores
Sealing Rock
Gas
Oil
Water
Reservoir Rock
Complex wellbores require more time and effort
to evaluate permit applications.

Key Challenges and Projects

- Determine the impacts of major gas sales upon ultimate hydrocarbon recovery from Prudhoe and Pt. Thomson reservoirs before gas sales off-take rates can be approved. – **Mitigation of oil losses**

- Facilitate expanded statewide exploration and development, including NPR-A and exploration licensing areas that are outside the North Slope and Cook Inlet. – **Increased production**

- Evaluate and respond to the need for a revised regulatory scheme to safely oversee new development of nonconventional, shallow and gas storage resources. – **Responsible development**

- Finalize AOGCC's Internet-based Well and Production Information System available to anyone in the world. – **Help increase investment in Alaska**

Key Challenges and Projects (continued)

- Maintain an active role to protect Alaska's UIC program. Take over responsibility for Class I injection wells from EPA.
  - **Faster permit decisions**

- Respond to changing conditions in mature oil fields to make certain operations are conducted in a safe and skillful manner while ensuring that recovery of oil and gas resources is maximized. – **Safer operations and less resource waste**

- Conduct comprehensive review of natural gas production in Alaska and of all gas which is being flared, vented or otherwise not put to beneficial use. – **Less resource waste**

- Continue to evaluate ways to increase the AOGCC's efficiency. – **Reduce costs**

AOGCC Permitting

- Types of permits

  Drilling, Well or Program Modifications, Underground Injection, Orders, Special Considerations

- Permitting process
  - Application filed with supporting documentation
  - Program checked for conformance to regulations
  - Commission approval or denial
- Our performance
  - Permit to drill average decisions – 7 days
  - Sundry application average decisions – 4 days

Types of AOGCC Permits

- Drilling
- Wellwork
- Underground injection
- Conservation Orders
- Special development considerations

Drilling Permits

- Location
  - Surface, bottomhole, and trajectory
- Total depth
- Fluids used
- Tubulars used
- Cementing
- Blowout prevention equipment & procedures

Wellwork

- Abandon a completion
- Add or plug perforations
- Stimulate producing pools
- Convert to/from production/injection
- Repair / pull tubing
- Suspend or abandon a well

Underground Injection

- Enhanced recovery
  - Water
  - MI
  - Dry gas
  - CO2
- Gas storage
- Waste disposal

Conservation Orders

- Determination of well status (oil or gas)
- Allowable offtake rates by well or pool
- Performance monitoring requirements
- Well spacing
- Voidage replacement
- Reporting requirements
- Pilot project approval

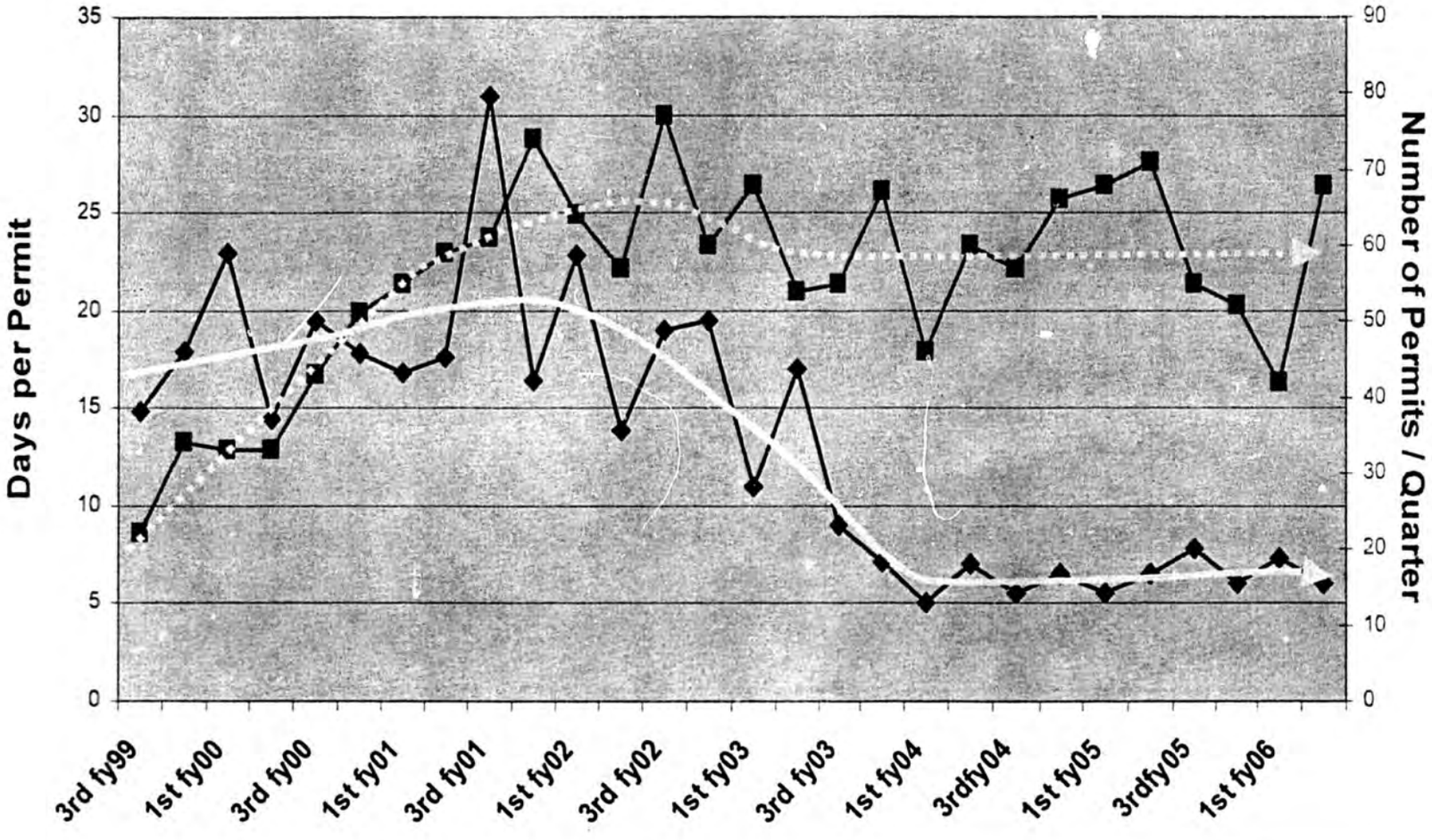
Special Development Considerations

- Spacing exceptions
- C-plan exemptions
- Annular disposal
- Information dissemination

Permitting Process

- Application filed with supporting documentation
  1. Received and logged in
  2. Recorded in Commission database
- Program checked for conformance to regulations
  1. Lease, ownership, bonding, well spacing
  2. Pipe and cement programs, BOP equipment
  3. Shallow drilling hazards, H_2S, site conditions
  4. Good oilfield practices, maximum resource recovery
- Commission approval or denial

Drilling Permit Approval Time



Although review process has gotten more complex and thorough, review time has remained ~ 7 days.

HB300

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. In making appointments to the commission under AS 31.05.009 ~~(1) and (2)~~ and this subsection, the governor shall consider and give preference to a person who demonstrates experience in oil and gas operations in the state.

(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.

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.

Sec. 31.05.009. Qualifications of members.

Members shall be qualified as follows:

(1) one member shall be a petroleum engineer who

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

(B) has earned a degree from a university in the field of engineering and has at least 10 years of professional subsurface experience in the oil and gas industry in drilling, well operations, production process operations, reservoir engineering, or a combination thereof; for the purposes of this subparagraph, a person meets the requirement of earning a degree in the field of engineering if the person obtains an undergraduate or graduate degree in engineering that meets the requirements for program accreditation by the Engineering Accreditation Commission of the Accreditation Board for Engineering and Technology and the person completes university or industry training specific to petroleum engineering that illustrates application of engineering principles to the problems encountered and methods used in the petroleum industry, including

drilling, production, reservoir engineering, fluid flow through subsurface formations, and hydrocarbon transportation;

(2) one member shall be a geologist who

(A) holds a certification as a professional geologist under AS 08.02.011 and has professional experience in the field of petroleum geology; or

(B) has earned a degree in the field of geology from a university accredited in the field of geology and has a minimum of 10 years professional experience in the field of petroleum geology; and

(3) one member who must be certified, trained, or experienced in either the field of petroleum engineering or the field of petroleum geology.

SCOMM

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SPONSOR STATEMENT – HB 294
Tax Credit for Natural Gas Exploration and Development

HB 294 is an act that amends and extends the exploration and development incentive tax credit that was originally enacted in the 23rd legislature in 2003 as HB 61. This tax credit continues to apply under the Alaska Net Income Tax Act for operators and working interest owners directly engaged in the exploration for and development of natural gas primarily in the Cook Inlet area.

To more strongly encourage companies to invest additional capital in exploring for and developing new natural gas reserves, this legislation makes four significant changes to current law

1. Increases the amount of the credit to 25% (from 10%) of the amount of qualified capital investment and qualified services spending.

2. Removes the 50% limitation on the amount of credits that can apply in a single year.

3. Removes the "successful efforts" requirement that developers must find and deliver new gas resources to market to qualify for the credit.

4. Extends the sunset date of the investment tax credit from January 1, 2013 to January 1, 2020.

This legislation makes no changes to definitions of qualified capital investment or qualified services.

Annual natural gas production and supply in the Cook Inlet area have been declining for a number of years. During the same time, demand has been increasing steadily. Therefore, a sharp increase in drilling to find new reserves is drastically needed. The original Investment Tax Credit enacted in 2003, while modestly successful in stimulating new drilling, needs to be made a much more effective incentive to developers to increase capital spending in a large manner. These changes will go a long way to achieving that goal.

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HB 294
() Publish Date:

Revision Date/Time (Note if correction):
Dept. Affected: Revenue

Title: Exploration and Development Incentive Tax Credit
RDU: Revenue Operations
Component: Tax Division

Sponsor: Rep. Chenault
Requester: House Committee on Oil and Gas
Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
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						
CHANGE IN REVENUES ( )	*See Analysis*					

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2006) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal: [ ]

POSITIONS

Full-time						
Part-time						
Temporary						

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

This bill increases and extends the existing credit against the corporate income tax liability for exploration and development of natural gas south of the Brooks Range, particularly in Cook Inlet. The bill retains the following characteristics:

1. Only exploration and development outlays for gas wells qualify for the credit.
2. The credit may be applied against the taxpayers total income tax liability. The credit may offset tax arising from oil production and pipeline activity, as well as gas exploration and production.
3. Unused credits may be carried forward to the subsequent five years.
4. Once production gas production begins, additional outlays for the field cease to accrue credits.

Prepared by: Mark Graber and Cherie Nienhuis — Phone 269-6626
Division: Tax Division — Date/Time 1/24/06 11 a.m.

Approved by: Jerry Burnett, ASD — Date
Agency: Department of Revenue

SCOMM

144:18

ALASKA STATE LEGISLATURE

Rep. Vic Kohring
Chair
Rep. Ralph Samuels
Vice Chair
Rep. Lesil McGuire
Rep. Norm Rokeberg
Rep. Nancy Dahlstrom
Rep. David Guttenberg
Rep. Berta Gardner

Alaska State Capitol
Juneau, Alaska 99801-1182
Room 24
(907) 465-4899
Fax (907) 465-3818
Charisse_Millett@legis.state.ak.us

HOUSE SPECIAL COMMITTEE ON OIL & GAS

STATE CAPITOL, RESOURCES ROOM # 124

Committee Agenda
House Special Committee on Oil & Gas
Tuesday, January 31, 2006
Ramona Barnes room #124 6:00pm* (delayed 1 hour)

Tuesday –January 31st 2006

+ Overview from AOGA- Alaska Oil and Gas Association. Judy Brady, Permitting 101

+ = Bills previously heard

Presenters:

Judy Brady, Executive Director
Alaska Oil and Gas Association

Randal Buckendorf, Senior Attorney
BP Exploration (Alaska) Inc.

Pat Foley, Manager of Land, Commercial & Regulatory Affairs
Pioneer Natural Resources Alaska, Inc.

Mark Major, Senior Environmental Coordinator
ConocoPhillips Alaska, Inc.

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#11

AOGA

Alaska Oil & Gas Association
121 W. Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907)272-1481 Fax: (907)279-8114

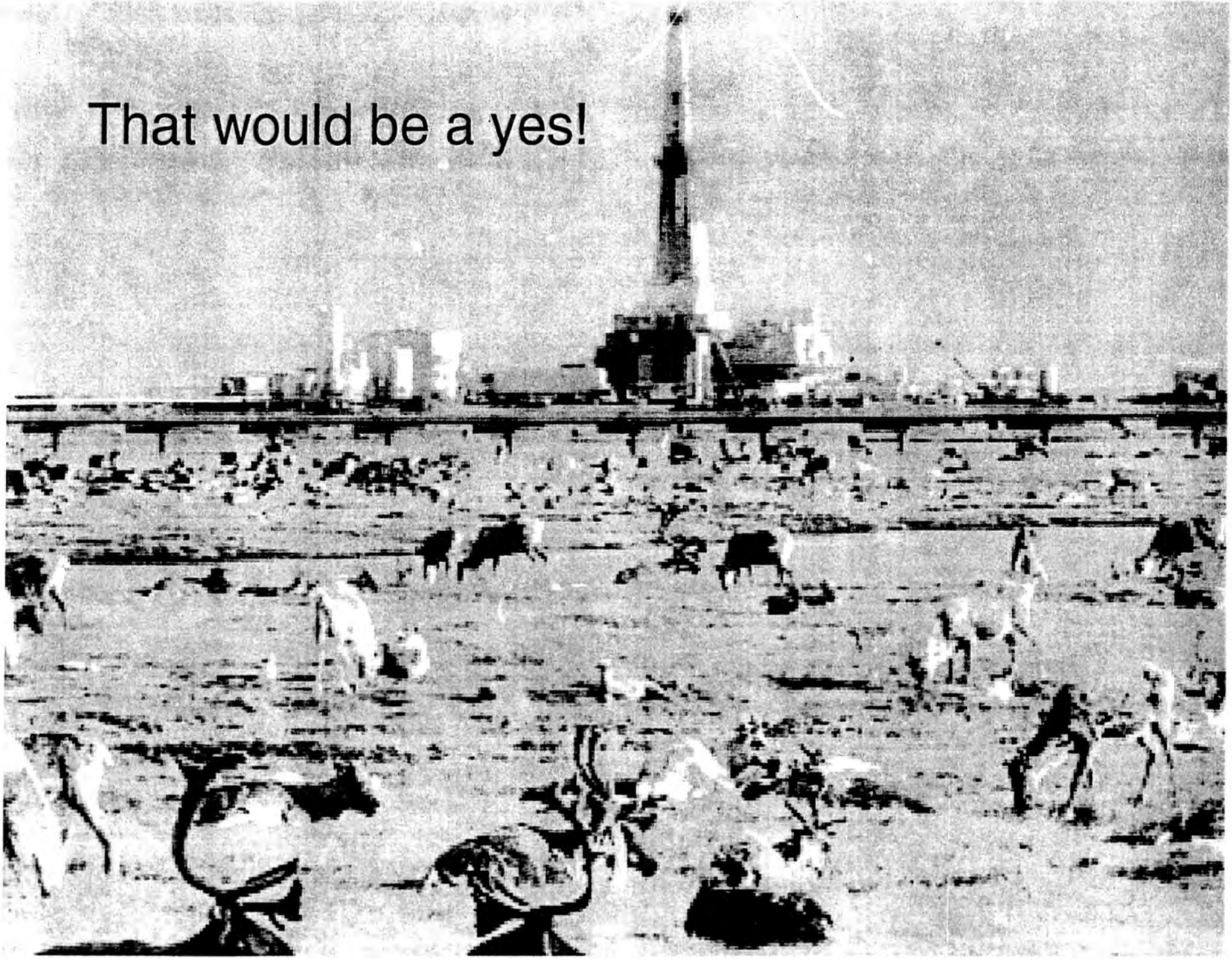
Overview

Permitting in Alaska

House Special Committee on Oil & Gas

January 31, 2006
Juneau Alaska

Can oil and gas development coexist with effective protection of sensitive environments?


That would be a yes!

All of the oil and gas produced in Alaska…

…is produced in sensitive environments

The Toolbox for Oil and Gas Development in Sensitive Areas in Arctic Alaska

- Good Environmental Reputation
- 3-D Seismic
- Extended Reach Drilling
- Directional Drilling
- Horizontal Completions
- Wildlife and Fisheries Studies
- Roadless Development
- Predictable Permitting Systems
- Performance Accountability
- Remote Sensing
- Habitat Mapping
- Inter-Agency Cooperation
- Coiled Tubing
- Rehabilitation
- Advanced Drilling Fluids
- Air Quality Monitoring
- Modular Drilling Rigs

The Toolbox for Oil and Gas Development in Sensitive Areas in Arctic Alaska (cont.)

- Water Quality Baseline Studies
- Good Community Relationships
- Knowledgeable Agency Staff
- Downhole Separation Technology
- Zero Tolerance for Incidental Damage from Seismic
- Grind and Inject Technology
- Ice Roads and Ice Pads
- Great Rocks
- Multilateral Completions
- Leak Detection Systems
- Rolligons
- A Little Luck

Baseline Studies

- Water quality and volume in lakes proposed for water sources
- Fish species present in lakes, streams and rivers
- Hydrology studies
- Habitat mapping for purpose of staging spill response equipment
- Caribou studies
- Subsistence surveys
- Archaeological/cultural surveys
- Bird nesting and brood rearing surveys (numerous bird species)
- Vegetation studies
- Evaluation of presence of threatened or endangered species

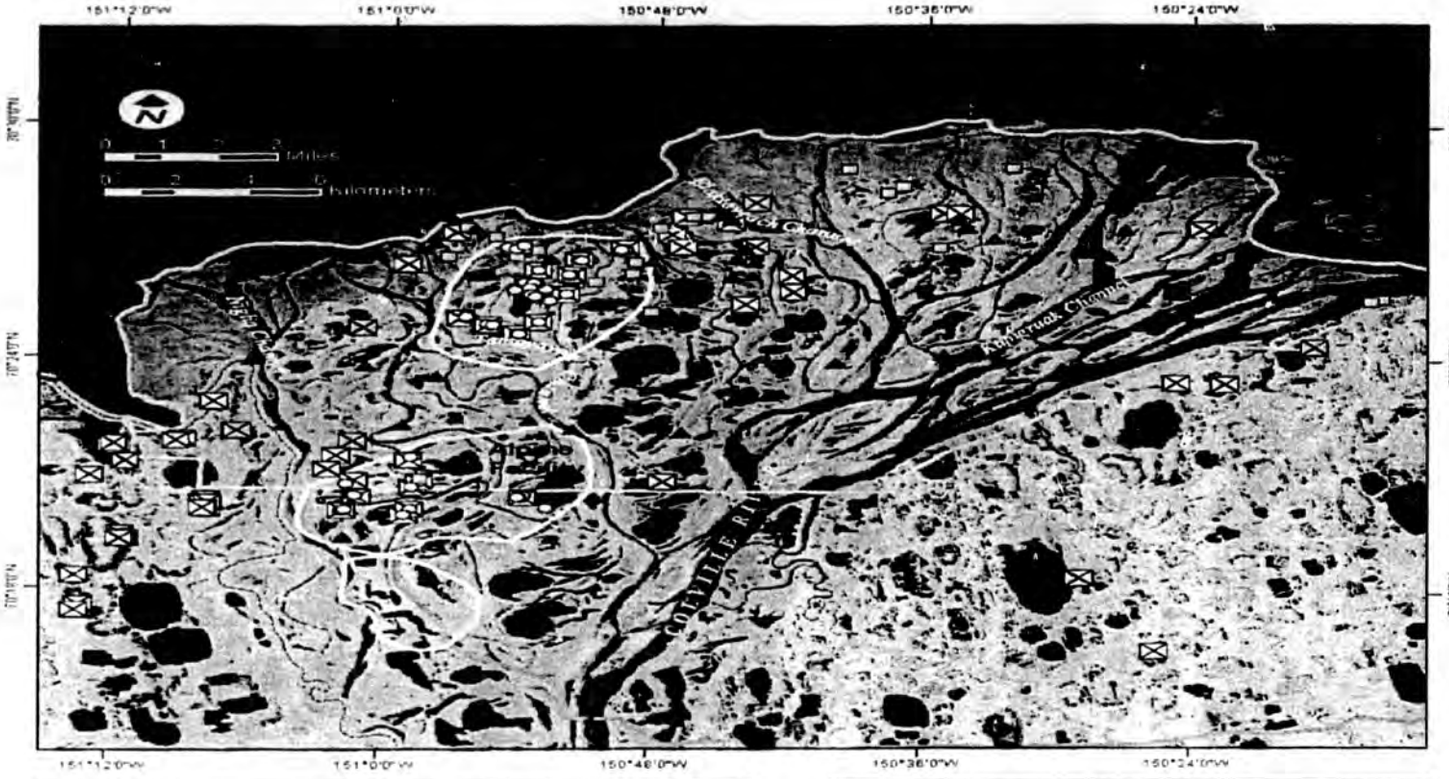
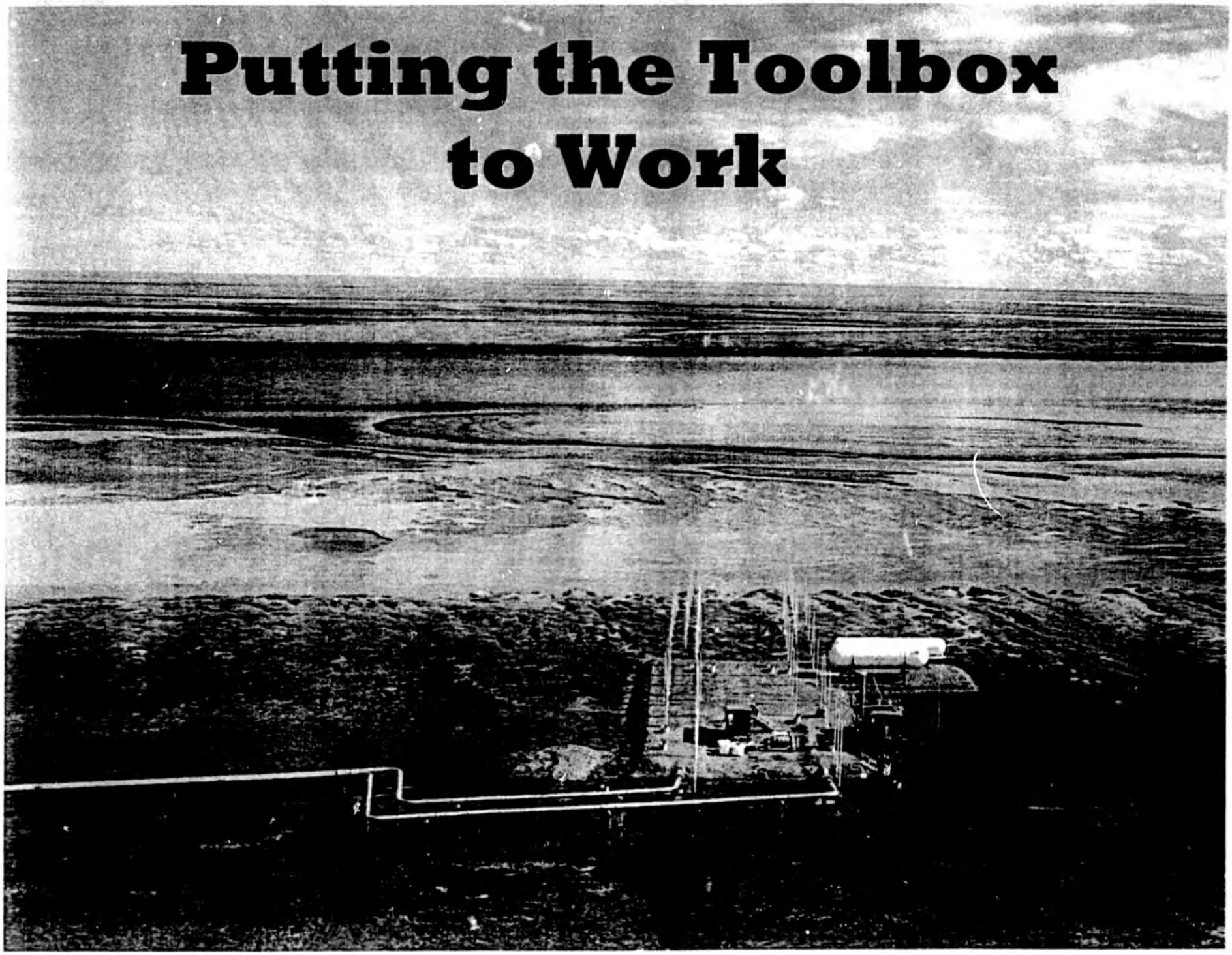


Figure 3.3.3.2-4
Plan Area Brant Locations
at Colville River Delta Sites

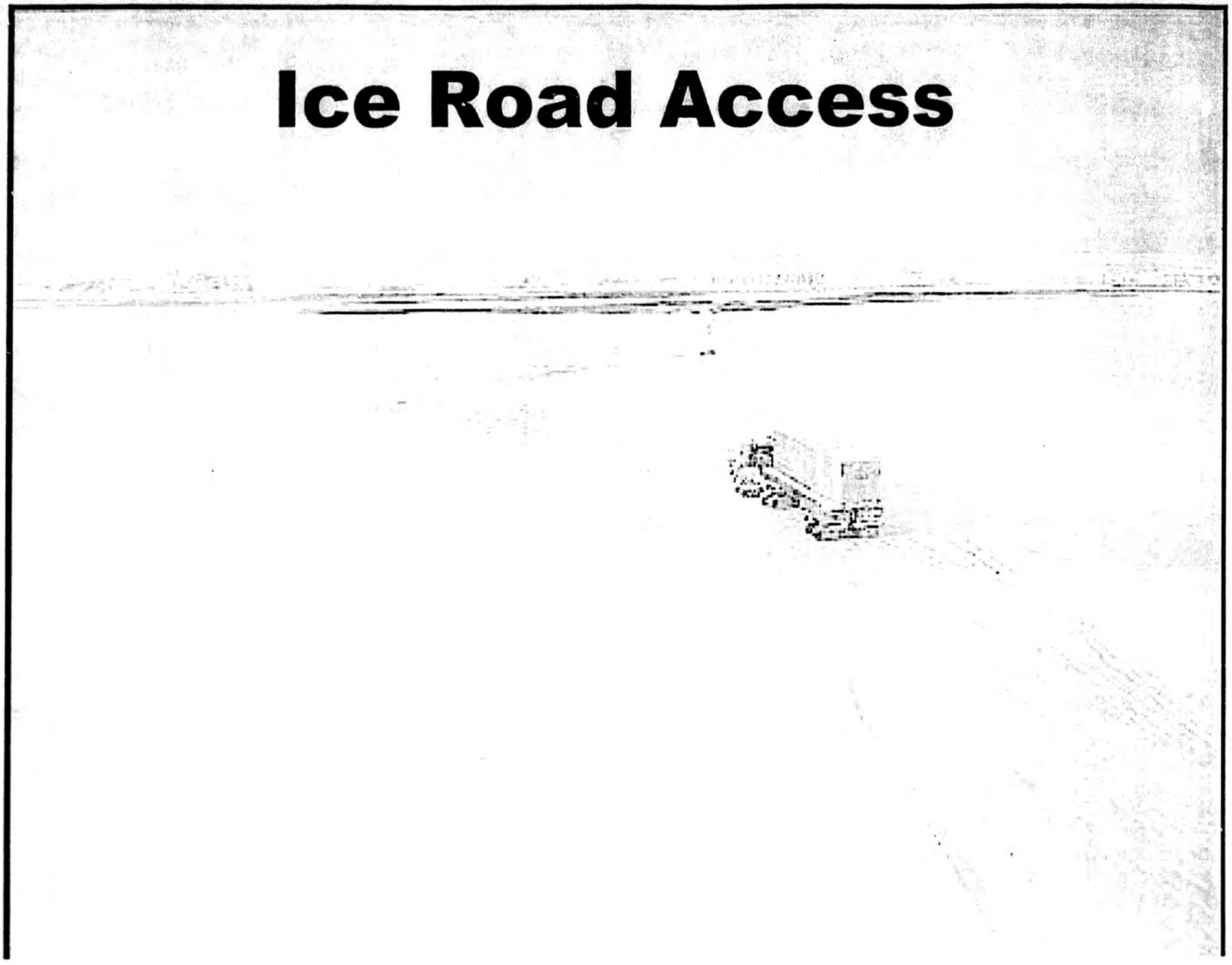
MACTEC Figure 3.3.3.2-4 colville brt rsts.mxd May 23, 2006

Putting the Toolbox to Work

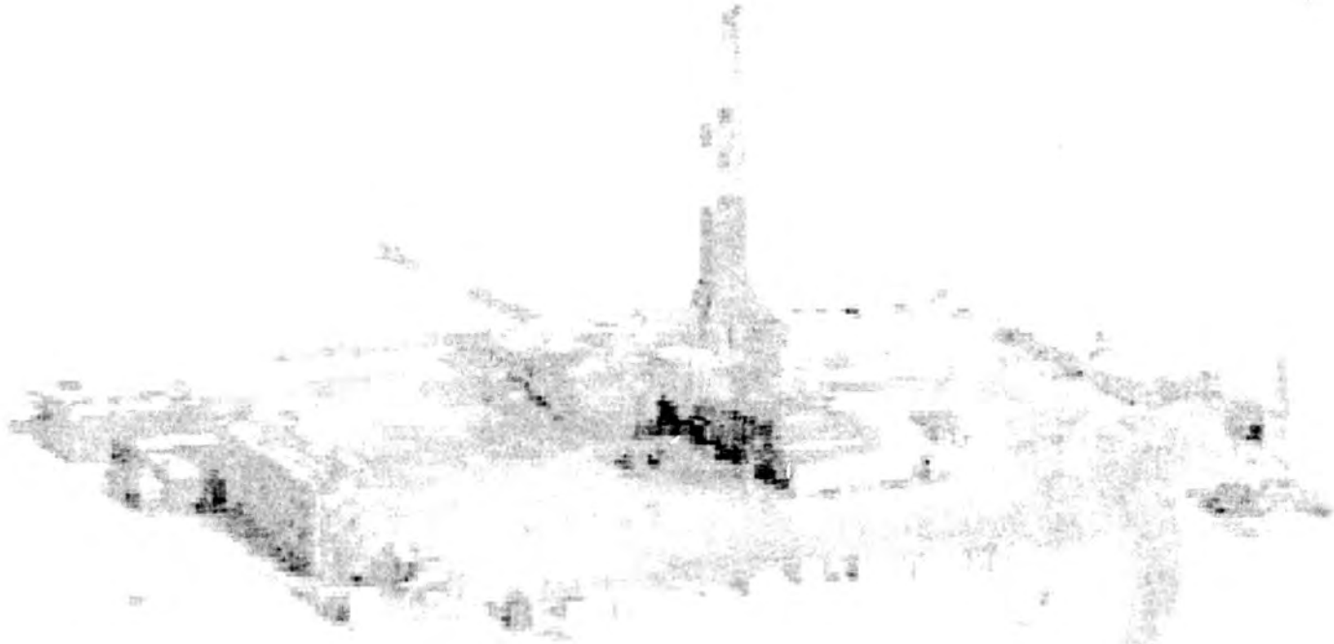


Winter Seismic Operations

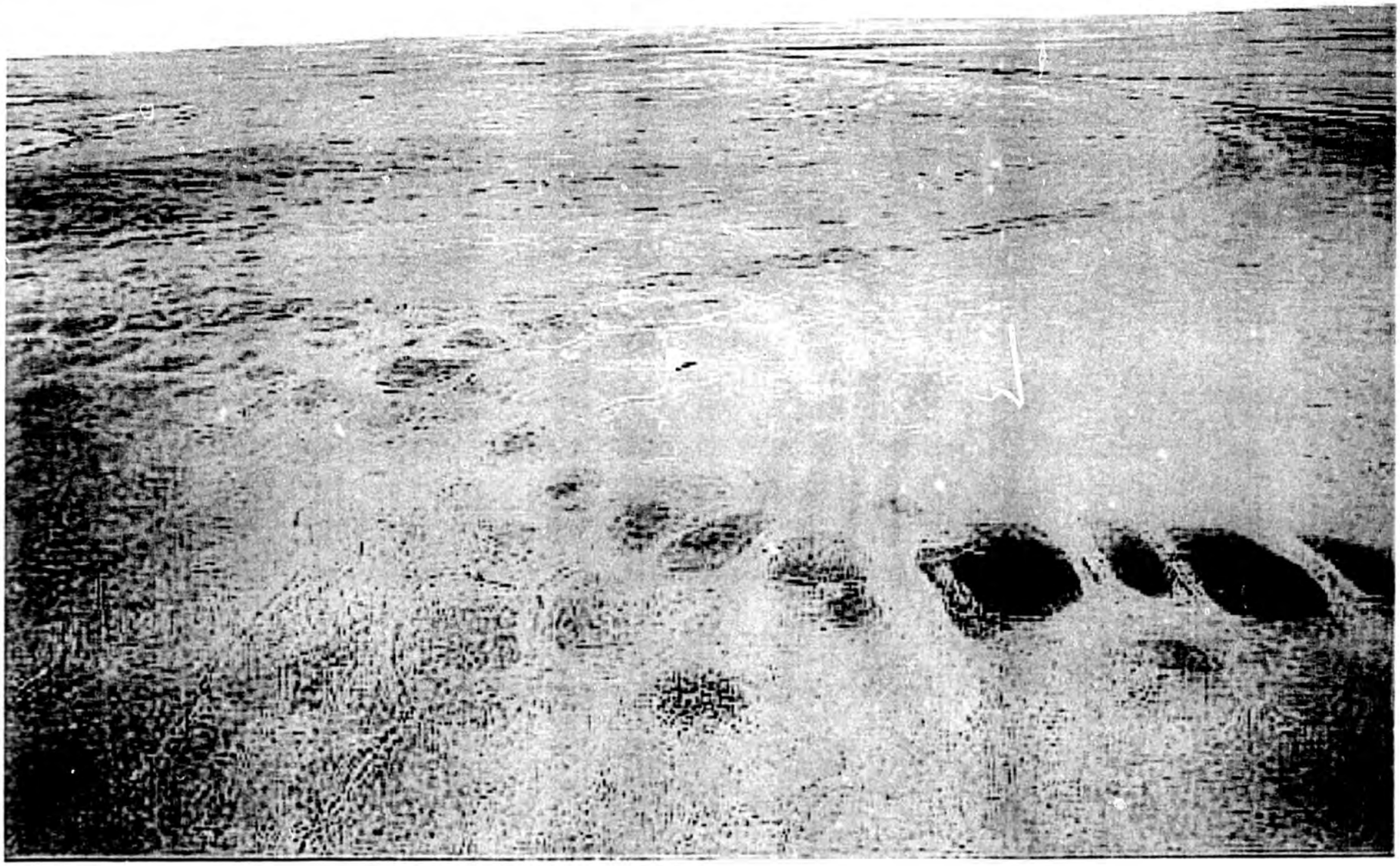
Ice Road Access



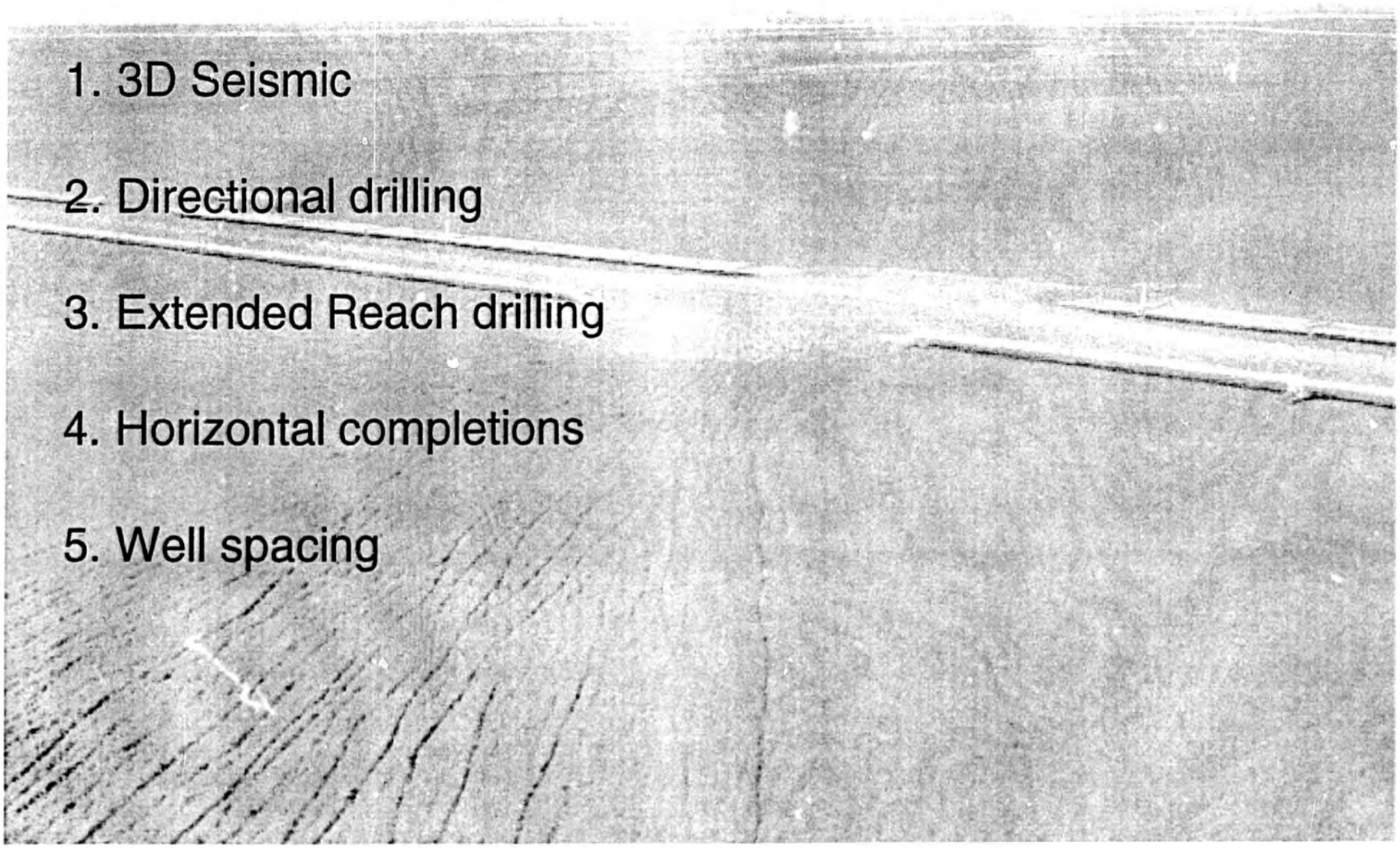
Winter Drill Rig



The Following Summer



Footprint Reductions through



Oil & Gas Permitting on Alaska's North Slope

- Arctic Environment
- Most of the North Slope is Wetlands
- All Onshore Oil & Gas Development is inside the North Slope Borough
- The Majority of Oil Development has been on State Lands
- Recently Onshore Development has Moved to Federal Lands NPR-A
- Some Leases are on Arctic Slope Native Corporation Lands
- Offshore Development Involves Both State and Federal Lands

Key Approvals

1. Environmental Assessment (EA) or Environmental Impact Statement (EIS)
2. Wetlands Section 404
3. North Slope Borough Land Management Regulations
4. Alaska Coastal Management Program Consistency Determination
5. Department of Natural Resources
6. Department of Environmental Conservation (air/C-Plan)

Questions Oil Companies New to Alaska Want to Know

1) How long does it take to permit a project?
2) How much does it cost?
3) Is there a transparent permitting system?
4) How complicated is the permitting system?
5) How subjective is the permitting system?
6) What are the major issues driving permit approvals?
7) Who should I talk to?
8) What permits do I need?

The Complexity of the Permitting Process in Alaska

Jurisdictional Overlap

Randal G. Buckendorf
Senior Environmental Attorney
BP Exploration Alaska

Why is the Alaska Regulatory Regime Complex?

- Multiple Agency Jurisdictions – Federal, State and Local (Title 29)
- Many permits
- U.S. Environmental Laws and Regulations – generally prescriptive rather than performance driven (e.g. Clean Air Act)
- Differing levels of information required for different permits
- Different process time frames for different permits
- Multiple public comment requirements
- Permit issuance dependent upon other reviews e.g.:
  - Alaska Coastal Management Program (ACMP)
  - National Environmental Policy Act (NEPA)
  - Section 401 Certifications (water quality)
  - Endangered Species Act Consultation
- Alaska resource development often controversial

Recent State of Alaska Permitting Reforms

ACMP

- HB 191 passed by the State legislature in 2003 changed ACMP in two significant areas:

  1. All ADEC permits consistent with ACMP upon issuance (ADEC "carve out").

  2. Coastal districts can only draft enforceable policies that reflect matters of local concern and that do not duplicate matters regulated by federal and state laws and regulations.

  HB 191 deadlines:

  - July 1, 2004 new ACMP regulations implementing HB 191
  - July 1, 2005 revised coastal district programs submitted to DNR for review (amended by SB 102 to March 1, 2006)
- ACMP transferred from Division of Governmental Coordination to DNR (2003).
- ADF&G Habitat Division permitting functions transferred to DNR (2003).

State Primacy

- NPDES – SB 110 - 2005
- UIC Class I – SB 103 - 2005

Two Types of "Legal Requirements"

- Procedural
  - National Environmental Policy Act (NEPA)
  - National Historic Preservation Act
  - Coastal Zone Management Act (CZMA)
- Substantive
  - Air Quality Permits
  - Water Discharges
  - Endangered Species Act
  - Marine Mammal Protection Act
  - Water Use

Major Federal Programs

- National Environmental Policy Act (NEPA)
- U.S. Army Corps of Engineers Section 404/10
- Clean Water Act National Pollutant Discharge Elimination System (NPDES) Permitting
- Endangered Species Act
- Safe Drinking Water Act (Injection Wells)
- Marine Mammal Protection Act
- Bureau of Land Management Oil and Gas Permitting (NPRA)
- Bureau of Land Management Pipeline Right-of-Way
- Minerals Management Service OCS
- Oil Pollution Act of 1990 (OPA 90)
- Executive Orders Affecting Energy Projects
- Other Federal Authorizations and Consultations