

Singh, Angela K (DOA)

From: Colombie, Jody J (DOA)
Sent: Tuesday, April 02, 2013 8:46 AM
To: Singh, Angela K (DOA)
Subject: FW: Comments to Hydraulic Fracturing
Attachments: SKMBT_C55013040116240.pdf

From: Whitley, Joel [<mailto:Joel.Whitley@asrcenergy.com>]
Sent: Monday, April 01, 2013 4:35 PM
To: Colombie, Jody J (DOA)
Subject: FW: Comments to Hydraulic Fracturing

Here you go.

Thank you for calling.

Much appreciated.

Joel

From: Whitley, Joel
Sent: Monday, April 01, 2013 4:31 PM
To: 'aogcc.customer.svc@alaska.gov'
Subject: Comments to Hydraulic Fracturing

Please see the attached.

Sent by email since the fax would not go through.

Joel Whitley

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Honoring the values of our founders as we develop the future.*



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April 1, 2013

BY FACSIMILE

Alaska Oil and Gas Conservation Commission
333 West 7th Avenue, Suite 100
Anchorage, Alaska 99501

Re: Proposed Changes to Title 20, Chapter 25 of the Alaska Administrative Code with
Regard to Hydraulic Fracturing

Dear Sir/Madam:

Thank you for the opportunity to comment on the proposed new rules that would be added to Title 20, Chapter 25 of the Alaska Administrative Code, with regard to hydraulic fracturing. Arctic Slope Regional Corporation (ASRC) and ASRC Energy Services, Inc. submit the following comments and suggestions.

ASRC is a private Alaska Native-owned corporation, based in Barrow, Alaska, representing the interests of its 11,000 Iñupiat Eskimo shareholders, including many of the residents of Alaska's North Slope. ASRC was created by Congress under the Alaska Native Claims Settlement Act of 1971 (ANCSA). *See* 43 U.S.C. § 1606. Under ANCSA, Iñupiat Eskimos living on the North Slope of Alaska in 1971 were enrolled as shareholders in ASRC. ASRC is the largest private landowner on the North Slope of Alaska, owning more than 5,000,000 acres of land.

ASRC is also the parent company of ASRC Energy Services, Inc. (AES), which is one of the largest oil and gas service companies in the State of Alaska. AES and its subsidiaries offer complete services throughout the life of an oil and gas field, including regulatory and technical services, oil spill response management, drilling engineering, major engineering, procurement and construction, onshore and offshore pipeline construction, and operations and management support. With over 4,000 employees, AES, together with its subsidiaries, is one of Alaska's largest private employers.

ASRC, through its subsidiary, ASRC Exploration LLC (AELLC), owns a 32.5% non-operating working interest in the Badami Unit where Savant Alaska LLC (SALLC) is the operator. In recent years, AELLC and SALLC have used hydraulic fracturing to stimulate the Badami wells. It is AELLC's intention to continue to use hydraulic fracture stimulation technology to unlock additional oil from tight rock within the Badami Unit. AELLC, therefore, has a very keen interest in the proposed hydraulic fracture regulations. AELLC also owns a 100% working interest in the Placer Unit and accumulation west of Kuparuk and is working with other operators in the area to commercialize small deposits of oil and gas.

ASRC and AES, together, question whether the addition of proposed section 20 AAC 25.283 is necessary. The Commission has already implemented rigorous regulations to protect groundwater in the State, and there is a strong record that those regulations are effective in protecting freshwater aquifers from infiltrations of hydraulic fracture fluids. Over 1,000 wells have already been hydraulically fractured in Alaska with no incidences of contamination to freshwater aquifers by fracturing fluids. The Commission has an effective permitting program in place that requires detailed design of all wells drilled, including those that are targets for hydraulic fracturing. The Commission also monitors the drilling practices of all operators within the State through a diligent on-site program. We think that the proposed pre-approval and application process is duplicative of existing regulations and may result in unnecessary delays in operations.

For example, the Commission already requires detailed information on casing and cementing pursuant to 20 AAC 25.030, which requires that a well casing and cementing program be designed to prevent contamination of freshwater. *See* 20 AAC 25.030 (a)(6), (b)(1) and (3) and (c)(3)). The Commission's current regulations allow it to require cement-bond logs, if it deems them to be necessary to ensure competency of the cement for surface casing. The addition of proposed 20 AAC 25.283(a)(6) (requiring detailed casing and cementing information) would likely be confusing and redundant and does not appear to provide the Commission with any additional information it does not already receive under its current regulations.

In addition, we note that many of the requirements in proposed 20 AAC 25.283(a)(12)-(15) are already required by current regulations located at 20 AAC 25.030, 20 AAC 25.033, 20 AAC 25.071 and 20 AAC 25.565. Similarly, current regulations 20 AAC 25.265, 20 AAC 25.280, and 20 AAC 25.286 already address many of the items identified in proposed 20 AAC 25.283(b)-(g).

Based on the thoroughness and efficacy of the current regulations, we request that the Commission carefully consider whether the proposed regulations are necessary. If specific regulations affecting hydraulic fracturing are found to be necessary, we strongly recommend that the Commission work closely with industry and other interested parties to ensure that the requirements are concise and not redundant or confusing.

ASRC and AES also believe that the proposed fracturing regulations should take into account local conditions and Alaska's unique geography, which in many cases is quite different from the Lower 48. For example, on the North Slope, we understand that the presence of permafrost generally precludes the formation of shallow freshwater aquifers. Brackish to salty water may be found in liquid form in some formations within and beneath the permafrost. The current regulations relating to water sampling do not appear to consider this unique aspect of the North Slope.

As such, we recommend that the Commission consider exempting all wells north of 68 degrees North latitude pursuant to the Freshwater Aquifer Exemption per 20 AAC 25.440. All wells drilled into oil and gas reservoirs that are candidates for hydraulic fracturing are below 2,500 feet subsurface, which is below any possible freshwater aquifers, either in permafrost or not, in the region. We also note that unlike other states where hydraulic fracturing occurs, the State of Alaska does not have a current database that identifies all freshwater aquifers in the State. This will make it very difficult for operators to comply with the requirements of 20 AAC 25.283(a)(2), (3) and (11).

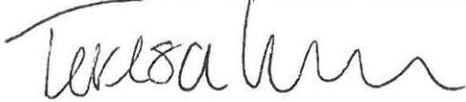
Finally, the proposed regulations, as drafted in 20 AAC 25.283(h), do not extend any protection to proprietary information or trade secrets related to ingredients used in hydraulic fracturing. Adequate trade secret protection for hydraulic fracturing ingredients is important to ensure that vendors and service providers are not dissuaded from providing or using new and

innovative technologies in Alaska. As a landowner, ASRC acknowledges that public disclosure of fracturing chemicals may be appropriate, but these regulations should balance public disclosure with the protection of trade secrets necessary for the utilization of the best technology in Alaska.

We thank you for the opportunity to comment on this important matter. ASRC and AES strongly encourage the Commission to have a second public process to allow additional comments by industry and other interested parties on any revised proposed regulations.

Respectfully submitted,

ARCTIC SLOPE REGIONAL CORPORATION



Teresa Imm
Vice President, Resource Development

ASRC ENERGY SERVICES, INC.



Jeff Kinneeveauk
President and CEO