

Alaska Oil and Gas Association



121 W. Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907) 272-1481 Fax: (907) 279-8114
Email: kindred@aoga.org
Joshua Kindred, Environmental Counsel

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Commissioner Cathy P. Foerster, Chair
Alaska Oil & Gas Conservation Commission
333 W. 7th Avenue, Suite 100
Anchorage, AK 99501
Submitted by E-Mail to: jody.colombie@alaska.gov

Re: Comments on Proposed Revisions to 20 AAC 25.022 - 20 AAC 25.990

Dear Commissioner Foerster:

Thank you for the opportunity to provide the Alaska Oil and Gas Conservation Commission (“AOGCC” or “Commission”) with comments and suggestions regarding proposed regulation revisions related to 20 AAC 25.022—20 AAC 25.990 (“proposed regulations”). The members of the Alaska Oil and Gas Association (“AOGA”) account for the majority of oil and gas exploration, development, production, transportation, refining, and marketing activities in Alaska. In order to address the proposed regulations in an efficient and organized manner, AOGA’s comments will address each proposed modification in turn, although AOGA may not have comments on each proposed change. The majority of AOGA’s concerns relate to a desire for greater clarity or greater efficiency. With some modifications, AOGA believes the resulting regulation revisions can effectively balance the Commission’s objectives and industry concerns.

I. 20 AAC 25.022 – Notice of Ownership

The AOGCC proposes to add subsection (b), to provide that:

The operator shall notify the commission within 30 days in writing of any changes in office address, primary telephone number, email address, or principal contact(s).

Although the proposed change appears to be relatively minor in scope, AOGA would request some clarification to avoid potential issues regarding operator compliance. AOGA

encourages the Commission to clarify that the new notice obligation only applies to changes in operator contact information, not to changes in any other owner's contact information and that the "principal contact(s)" requirement be deleted to help minimize the frequency of required updates. Furthermore, AOGA would encourage the Commission to provide guidance regarding the mechanism by which operators should submit the requested information. Depending upon the Commission's objective, consideration might be given to modifying 20 AAC 25.020 rather than 20 AAC 25.022.

II. 20 AAC 25.030 – Casing and Cementing

The AOGCC is proposing several changes in 20 AAC 25.030 that relate to notification, log submittals, approval, and testing. Under 20 AAC 25.030(d)(5), the Commission is proposing to add a "vertical" qualifier to the cement casing mandate and requiring that:

The operator shall notify the commission and obtain approval before drilling ahead; and provide (i) a cement quality log or other approved method to evaluate the adequacy of the cement to contain potential wellbore pressures and fluids; and (ii) a plan setting forth the remedial actions proposed to bring the well into compliance with the requirements of (a) of this section.

AOGA is interested to determine why the Commission is modifying the requirement from measured depth to specify true vertical depth. Depending on the trajectory of the well, such a modification could potentially result in a dramatic increase in costs given the increase in cement volume necessary to ensure compliance. The modification could also result in an increase in technical risks associated with the integrity of certain wells. It might be more prudent to adopt a case-by-case approach on those wells where the trajectory could create unacceptable increases in technical risk.

AOGA would also request clarification that the notification requirement is applicable only in situations where an operator fails to meet its cementing objectives. Finally, AOGA asks the Commission to provide guidance as to what might constitute an "other approved method".

Under 20 AAC 25.030(d)(8) the AOGCC had added a requirement to submit a Sundry Application prior to hydraulic fracturing a well, under 20 AAC 25.030(e) the AOGCC has added requirements related to casing pressure tests, and under 20 AAC 25.030(g) the AOGCC has modified the process for obtaining a variance.

AOGA has no comments on or clarifying questions related to these proposed changes to 20 AAC 25.030.

III. 20 AAC 25.055 – Drilling Units and Well Spacing

The AOGCC is proposing a variety of changes, the majority of which contemplate limiting drilling activities, by restricting the drilling or recompleting of an oil well any portion of which is within 500 feet of a property line and the drilling or recompleting of a gas well any portion of which is within 1500 feet of a property line. Understandably, these restrictions may result in significant ramifications for current or potential wells near lease boundaries. AOGA members have a variety of wells that could possibly be at variance to these requirements as proposed. To mitigate operators concerns and provide greater clarity, AOGA recommends that the Commission consider using external unit boundaries as opposed to lease boundaries as triggers for these restrictions. Focusing on unit boundaries as opposed to leases likely can address the Commission's endeavor, while also addressing industry concerns. The Commission could include an additional subsection under 20 AAC 25.055 that provides that property line and set back requirements apply to the boundary of the unit or participating area where the lease ownership is consistent across the unit as a whole or across the participating area.

IV. 20 AAC 25.065 – Hydrogen Sulfide

AOGA has no comments on or clarifying questions related to the AOGCC's proposed changes to 20 AAC 25.065.

V. 20 AAC 25.071 – Geologic Data and Logs

The most significant proposed changes to this section relate to an expansion of the types of logs subject to filing. For example, 20 AAC 25.071(b)(7)(B) would require, in relevant part:

For cased-hole logs, an electronic image file in a format acceptable to the commission of all other logs run, including common derivative formats.

AOGA is concerned given the reference to "all other logs run". It is not difficult to envision that an operator could read that phrase as all encompassing, which would invariably include information that is proprietary and outside the scope and intent of the proposed regulations. In addition to the breadth of this provision, AOGA is concerned that it might lead to duplicative and redundant submittals. Perhaps the Commission could be more specific regarding what information it considers relevant and therefore subject to the filing requirements. Pending the list of logs AOGCC considers relevant to this section, we may desire to have further discussion. Absent clarification and limiting language, the proposed regulations will result in the submission of exponentially more logs and information that is proprietary. An unintended consequence of the Commission's approach could be that operators will choose not to invest in the completion of interpretive work, out of concern

that the information will be made public due to the AOGCC submission process. AOGA believes the Commission should recognize the value of operators investing resources that are likely to lead to greater oil recovery. AOGA would suggest the Commission consider providing some degree of protection by extending confidentially protection for all interpretive logs submitted. This would allow the AOGCC access to the information, while also affording the protection necessary for operators to continue to make such investments.

The AOGCC also is considering adding the following requirement under 20 AAC 25.071(b)(6):

The operator shall provide the commission the opportunity to examine open-hole logs for exploration or stratigraphic test wells within 72 hours of being run and prior to abandonment.

AOGA proposes removing the timing element (within 72 hours of being run and prior to abandonment). This change will still provide the commission the ability to review the requested information without impacting ongoing operations.

VI. 20 AAC 25.110 – Suspended Wells

The AOGCC proposes under 20 AAC 25.110(a)(1)(F) that the operator demonstrate that the well:

Is located on a valid lease or leases where the applicant has the right to drill for oil, gas, coal bed methane, gas hydrates, or shale gas, or to evaluate underground coal gasification or geothermal resources;

AOGA recommends AOGCC clarify that if the suspended well is a unit well, a unit operator is considered to have a valid lease for all leases in a unit regardless of actual lease ownership.

The AOGCC proposes under 20 AAC 25.110(b) that:

The operator shall provide the commission with a list of the leases that the wellbore traverses, from surface location to bottom hole location, and the expiration date of each leases; and is required to notify the commission within 30 days, if the status of any lease changes.

AOGA recommends the Commission consider unit boundaries as opposed to lease boundaries to minimize the administrative burden of providing lease and owner information where lease ownership for the affected leases is the same across the unit as a whole or the participating area. AOGA recommends the AOGCC include an additional

subsection that provides the proposed requirements apply to the unit or participating area when appropriate.

VII. 20 AAC 25.265 – Well Safety Valve Systems

AOGA has no comments on or clarifying questions related to the AOGCC's proposed changes to 20 AAC 25.265.

VIII. 20 AAC 25.270 – Initial Reservoir Properties

The AOGCC proposes modifying 20 AAC 25.270(c) by adding a "laboratory analysis practices" requirement, and requiring that an operator submit an annual reservoir properties report by April 1st of each year. As to the former, AOGA would request the Commission provide some clarification or explanation regarding the catalyst for including the "laboratory analysis" qualifier. AOGA is not necessarily objecting to the modification, but believes a better understanding of the Commission's intent would facilitate compliance with the Commission's regulations. As to the latter modification, AOGA's concerns relate to scope and timing. On scope, the AOGCC should clarify that requirement to file annual reservoir properties report does not impose any new or additional sampling and/or measurement requirements beyond current regulations. On timing, AOGA would encourage the AOGCC to allow some degree of staggered reporting.

IX. 20 AAC 25.280 – Workover Operations

AOGA has no comments on or clarifying questions related to the AOGCC's proposed changes to 20 AAC 25.280.

X. 20 AAC 25.537 – Public and Confidential Information

AOGA has no comments or clarifying questions related to the AOGCC's proposed changes to 20 AAC 25.537.

XI. 20 AAC 25.556 – Orders

AOGA has substantial concerns relating to the Commission's significant modifications to 20 AAC 25.556. As an initial matter, AOGCC should clarify whether these proposed revisions would only be applicable to new orders. AOGA also questions whether these revisions are necessary, particularly given the potential adverse impacts they could cause. The sunset provisions will only serve to create greater uncertainty, which could, in turn, discourage future investment. The Commission currently possesses the authority to alter orders if it believes an issue or issues need to be addressed. By adopting such a broad and all-encompassing approach, The Commission is placing a large administrative burden onto

operators that appears unnecessary given the AOGCC's already existing authority. At a minimum, AOGA recommends that the AOGCC provide that these new provisions are not applicable for unitized leases. AOGA believes such an exclusion is appropriate because: (1) unit operations require regulatory certainty for decision-making and planning purposes, which will be substantially undermined through the broad sunset provisions contemplated by the proposed regulations; (2) a limited term and automatic expiration of orders potentially could impact sales contracts and reserves accounting, even if unintentional; (3) such broad sunset provisions are unprecedented and inconsistent with conservation regulations in other jurisdictions; and (4) the sunset provisions are unnecessary given the AOGCC's authority to investigate and re-evaluate any Order and either issue an emergency suspension or undertake a full hearing.

XII. 20 AAC 25.990 – Definitions

AOGA has no comments on or clarifying questions related to the AOGCC's proposed changes to 20 AAC 25.990.

Sincerely,

A handwritten signature in black ink, appearing to read 'JK', written over a horizontal line.

Joshua Kindred
Alaska Oil & Gas Association
Environmental Counsel

Cc: Commissioner Hollis French
Commissioner Dan Seamont