



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Natural Resources

Division of Oil and Gas
Anchorage Office

550 W. 7th Avenue Suite 1100
Anchorage, Alaska 99501-3560
Main: 907-269-8800
Fax: 907-269-8938

August 23, 2013

Re: Notice of Public Workshop Regarding Offshore Platform Rehabilitation and the Purpose and Need for Potential Changes to the Regulations of the Alaska Department of Natural Resources

Dear Alaskan,

The Department of Natural Resources (DNR), Division of Oil and Gas will hold a public workshop to discuss and listen to interested members of the public about potential changes to regulations in Title 11 of the Alaska Administrative Code for offshore platforms south of the 68th parallel regarding (1) rehabilitation plans; and (2) dismantlement, removal, and restoration (DR&R) assurances.

Background

There are sixteen offshore oil and gas platforms in Cook Inlet, fourteen of which were installed between 1964 and 1968, the others in 1986 and 2000. Twelve platforms are actively producing oil and gas and four are experiencing varying degrees of inactivity. All offshore platforms in Cook Inlet are located in state waters south of the 68th parallel. A map of these platforms is available at: <http://dog.dnr.alaska.gov/AboutUs/PublicNotices.htm#pnother>.

In light of the age of this infrastructure, DNR is examining the adequacy of its current regulations. The purpose of this review is to determine if further regulatory clarification is necessary to mitigate risk to the state of financial loss, environmental damage, and safety-related incidents. Approaches under consideration by the state are to (1) receive and review more specific plans of rehabilitation, and (2) create appropriate financial assurance arrangements for DR&R.

Current DR&R Regulation

In Alaska, a number of state regulatory agencies have authority over DR&R of offshore platforms in state waters, either through statutes and regulations, provisions in the unit and lease agreements, or other agreements between the state and individual parties. To date, no offshore platform in Alaska has gone through the DR&R process. As these platforms are lighthoused, sold, or abandoned, the state will want to review existing rehabilitation plans and develop a

comprehensive and consistent standard for evaluating the feasibility, alternatives, and consequences of DR&R in the future to ensure actions taken are in the public's best interest.

The Alaska Oil and Gas Conservation Commission (AOGCC) and the DNR are the two state agencies with primary authority for regulating DR&R requirements in state waters. The AOGCC ensures individual wells are properly plugged and abandoned. DNR is responsible for managing oil and gas exploration and production activities on state lands. DNR does not have prescriptive regulations for DR&R; however leases, unit agreements, and other agreements or authorizations specify DNR requirements for DR&R. Furthermore, the DNR commissioner has broad authority to set procedures, standards, and regulations to carry out the Alaska Land Act.

AOGCC regulations specify that wells must be properly plugged and abandoned prior to expiration of the owner's rights in the property. Wells must also be plugged and abandoned within one year following permanent cessation of the operator's oil and gas activity within the field where the wells are located. Each well drilled from a fixed offshore platform must be plugged and abandoned before the platform is removed or dismantled.

DNR provisions for DR&R are typically included in unit agreements, leases, or other authorizations. For example, a 1962 lease in Cook Inlet waters requires removal of infrastructure within six months of expiration or termination of the lease; the site is to be returned in good condition; and specifies that infrastructure remaining on the lease after the required time period will become the property of the state with the stipulation that the lessee will remove the infrastructure at the future direction of the state.

DNR also issues easements for pipelines in Cook Inlet and those easements generally require removal of pipelines shortly after the easement terminates. The DNR retains discretionary authority to set standards for removal and restoration activities at end of the easement term.

Rehabilitation Plans

Although rehabilitation plans are currently required by DNR regulations, more specific requirements for plans of rehabilitation may assist the state in assessing the risk of DR&R activities. More detailed requirements set forth in regulation will allow DNR to answer, in advance, the question of what should be included in a rehabilitation plan for these platforms. Additionally, detailed rehabilitation plans will also help the state to understand what activities will be performed by operators, and the cost and timeframe of those operations so that the state can facilitate concurrent uses, including both DR&R and development.

Financial Assurances for DR&R Obligations

DNR may need to develop appropriate financial strength measures for evaluating operators' abilities to ensure that DR&R activities are conducted as described in the plans of rehabilitation. A discussion paper has been prepared to address a range of measures. The paper is available at: <http://dog.dnr.alaska.gov/AboutUs/PublicNotices.htm#pnother>.

Public Workshop

The Department of Natural Resources, Division of Oil and Gas is holding a public workshop to discuss and listen to interested members of the public regarding potential changes to regulations in Title 11 of the Alaska Administrative Code. The principal subjects to be addressed at the workshop are potential regulations for offshore platforms south of the 68th parallel regarding (1) rehabilitation plans; and (2) dismantlement, removal, and restoration assurances.

Parties interested in submitting questions or topics prior to the workshop, may contact Jennifer Owens at 907-269-8800 or jennifer.owens@alaska.gov.

The workshop will be held in the Kahtnu Room, Second Floor of the Dena'ina Civic and Convention Center, Anchorage, Alaska on Monday, September 9, 2013 from 9 a.m. to 11 a.m, which may be held over until 12 noon for people who arrived to speak before 10 a.m.

Each member of the public will be given three minutes to speak. The DNR response does not count towards that time. Follow-up questions are allowed, as long as total speaking time does not exceed the allotted three minutes.

Interested parties who wish to participate by conference call should contact the Division of Oil and Gas at 907-269-8800 to obtain the conference call number and access code.

If you are a person with a disability who needs a special accommodation in order to participate in this process, please contact the Division of Oil and Gas at 907-269-8800 or no later than September 3, 2013 to ensure that necessary accommodations can be provided.

For more information, contact the Division of Oil and Gas, 550 W. 7th Ave. Suite 1100, Anchorage, AK 99501, (907) 269-8800, or go to the Division of Oil and Gas Public Notice Website: <http://dog.dnr.alaska.gov/AboutUs/PublicNotices.htm#pnother>.

Thank you for your consideration. I look forward to seeing you at the workshop.

Sincerely,

/s/

W. C. Barron
Director