

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

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May 31, 2007

Department of the Interior
Minerals Management Service
Attention: Rules Processing Team (RPT)
381 Elden Street, MS-4024
Herndon, Virginia 20170-4817

Subject: Comments on Oil and Gas Production Requirements, 1010-AD12

Thank you for the opportunity to comment on the Minerals Management Service (MMS) proposed revisions to "Oil and Gas and Sulphur Operations on the Outer Continental Shelf (OCS)--Production Requirements" (Proposed Regulations). The Alaska Oil and Gas Conservation Commission (Commission) and the Alaska Department of Natural Resources, Division of Oil and Gas (Division) are the primary State of Alaska agencies responsible for ensuring that operators comply with state oil and gas laws. In many cases, state oil and gas laws are similar to those in your Proposed Regulations. For the purposes of this comment letter, the Commission and Division are referred herein collectively as the State of Alaska.

The State of Alaska believes one section of the Proposed Regulations could result in the violation of the State's correlative rights. Section §250.1156, "*What steps must I take to receive approval to produce within 500 feet of a unit or lease line?*"¹ as proposed does not adequately protect the State of Alaska's or any other royalty owner's correlative rights on unleased state submerged lands. Specifically, the final sentence of paragraph (a) tells an operator "[y]ou do not need to obtain approval if the adjacent block is unleased."

Most of the State submerged land adjacent to OCS acreage is unleased. The Proposed Regulations appear to allow an operator to complete a well as close to unleased State submerged lands as they wish without requiring any notice to the State of Alaska or the approval of the MMS. This could allow an operator to produce a well that would drain State of Alaska resources without consent and thus violate the State's correlative rights.

On land in the State lawfully subject to its police powers, including land of the United States and land subject to the jurisdiction of the United States, the Commission regulates well drilling and completion

¹ Page 9887 of the Federal Register (Vol. 72, No. 43/Tuesday March 6, 2007).

activities near property lines² and requires notice to owners, landowners, and operators of offsetting property. This ensures that all interested parties are identified and provided an opportunity to comment on the proposed action, and ensures the Commission is able to carry out its duty to protect the correlative rights of all persons owning a hydrocarbon interest in the tracts of land affected.

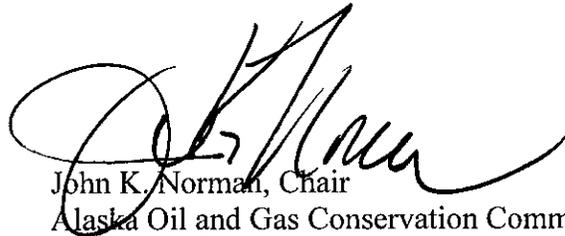
The State of Alaska recommends that the MMS modify the OCS Proposed Regulations to afford similar protection of correlative rights if the unleased adjoining acreage is located on state submerged lands as opposed to the OCS. The state also recommends that when state submerged lands are involved that notification and opportunity to comment be provided to the affected state regardless of whether the acreage is leased or not.

Again, thank you for the opportunity to comment on these Proposed Regulations.

Sincerely,



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² 20 AAC 25.055 requires notice and Commission approval for a well drilling for oil within 500 feet of a property line and for a well drilling for gas within 1,500 feet of a property line unless the owner and property owner are the same on both sides of the property line.