

STATE OF ALASKA

**ALASKA OIL AND GAS  
CONSERVATION COMMISSION**

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APR - 4 2007

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April 4, 2007

**CERTIFIED MAIL -  
RETURN RECEIPT REQUESTED  
705 1160 0001 5753 8991**

Mr. Robert F. Corbin  
Manager, Natural Gas Regulatory Activities  
Office of Oil and Gas Global Security and Supply, Office of Fossil Energy  
US Department of Energy  
Forrestal Building 3E-042, FE-34  
1000 Independence Avenue, S.W.  
Washington, DC 20585

Re: The matter of FE Docket No. 07-02-LNG; ConocoPhillips Alaska Natural Gas Corporation and Marathon Oil Company; January 10, 2007 Application for Blanket Authorization to Export Liquefied Natural Gas

Dear Mr. Corbin:

The Alaska Oil and Gas Conservation Commission (Commission) is an independent quasi-judicial agency of the State of Alaska with jurisdiction over all lands subject to the State's police powers.<sup>1</sup> The Commission is a potential interested party in the matter of FE Docket No. 07-02-LNG concerning the application by ConocoPhillips Alaska Natural Gas Corporation and Marathon Oil Company (collectively "Applicants") requesting blanket authorization from the Department of Energy ("DOE") to export liquefied natural gas ("LNG") from facilities in Kenai, Alaska.

The Commission is charged with preventing waste and insuring greater ultimate recovery of oil and gas resources located within the State of Alaska.<sup>2</sup> On page 25 of the subject

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<sup>1</sup> Chapter 31.05 Alaska Statutes - AS 31.05.005; AS 31.05.027

<sup>2</sup> The Commission was established by the Alaska Oil and Gas Conservation Act (Act), which is codified under Chapter 31.05 of the Alaska Statutes. The following sections of the Act are relevant to this matter:

Sec. 31.05.030(b) "The commission shall investigate to determine whether or not waste exists or is imminent, or whether or not other facts exist which justify or require action by it."

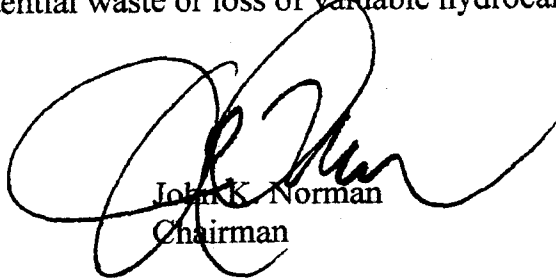
Sec. 31.05.095 "The waste of oil and gas in the state is prohibited."

Sec. 31.05.170(15) "'waste' means, in addition to its ordinary meaning, 'physical waste' and includes

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application it is stated: "discontinuation of LNG" export would be accompanied by the shut-in of the flowing gas supplies that would otherwise be produced and sent to the plant for liquefaction resulting in lost natural gas reserves and deliverability."

We do not have the necessary information to verify whether gas reserves would be lost; however, the Commission may need to investigate this matter further and we will appreciate receiving copies of any information presented in the course of these proceedings relative to potential waste or loss of valuable hydrocarbon resources.



John K. Norman  
Chairman

cc: ConocoPhillips Alaska, Inc.  
Marathon Oil Company  
Commissioner Dan Seamount  
Commissioner Cathy Foerster  
Commissioner Annette Kreitzer

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"(A) the inefficient, excessive, or improper use of, or unnecessary dissipation of, reservoir energy; and the locating, spacing, drilling, equipping, operating or producing any oil or gas well in a manner which results or tends to result in reducing the quantity of oil or gas to be recovered from a pool in this state under operations conducted in accordance with good oil field engineering practices;

"(C) producing oil or gas in a manner causing unnecessary water channeling or coning;

"(D) the operation of an oil well with an inefficient gas-oil ratio;"