A BILL

FOR AN ACT ENTITLED

"An Act relating to regulation of certain natural gas exploration facilities for purposes of preparation of discharge prevention and contingency plans and compliance with financial responsibility requirements, and amending the duties of the Alaska Oil and Gas Conservation Commission as they relate to natural gas exploration activities; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 31.05.030 is amended by adding a new subsection to read:

(i) When requested by a person proposing to explore for gas by drilling a well, the commission may evaluate the likelihood that the well will penetrate a formation containing oil. If the commission concludes with reasonable certainty that the well will not penetrate a formation containing oil, the commission shall so certify.

* Sec. 2. AS 46.04.030(b) is amended to read:

(b) A person may not cause or permit the operation of a pipeline or [AN
EXPLORATION OR] production facility in the state or, except as provided in AS 46.04.050(c), may not cause or permit the operation of an exploration facility in the state unless an oil discharge prevention and contingency plan for the pipeline or facility has been approved by the department and the person is in compliance with the plan.

* Sec. 3. AS 46.04.030 is amended by adding a new subsection to read:

(s) If a well certified by the Alaska Oil and Gas Conservation Commission under AS 31.05.030(i) penetrates a formation containing oil, the operator of the facility (1) shall notify the department and the Alaska Oil and Gas Conservation Commission; and

(2) may not conduct further exploration activity except in compliance with an oil discharge prevention and contingency plan for the facility (A) approved by the department; or

(B) pending the department's decision on plan approval.

* Sec. 4. AS 46.04.040(b) is amended to read:

(b) A person may not cause or permit the operation of a pipeline or [AN EXPLORATION OR] production facility in the state or, except as provided in AS 46.04.050(c) for a well that has not penetrated a formation containing oil, may not cause or permit the operation of an exploration facility in the state unless the person has furnished to the department, and the department has approved, proof of financial ability to respond in damages. Proof of financial responsibility required for

(1) a pipeline or an offshore exploration or production facility is $50,000,000 per incident;

(2) an onshore production facility is

(A) $20,000,000 per incident if the facility produces over 10,000 barrels per day of oil;

(B) $10,000,000 per incident if the facility produces over 5,000 barrels per day but not more than 10,000 barrels per day of oil;

(C) $5,000,000 per incident if the facility produces over 2,500 barrels per day but not more than 5,000 barrels per day of oil;

(D) $1,000,000 per incident if the facility produces 2,500 barrels
per day or less of oil;

(3) an onshore exploration facility is $1,000,000 per incident.

* Sec. 5. AS 46.04.040 is amended by adding a new subsection to read:

(n) If a well certified by the Alaska Oil and Gas Conservation Commission
under AS 31.05.030(i) penetrates a formation containing oil, the operator of the facility
may not conduct further exploration activity until the requirements of (b) of this
section are met.

* Sec. 6. AS 46.04.050 is amended by adding a new subsection to read:

(c) Except as provided in AS 46.04.030(s) and 46.04.040(n), the provisions of
AS 46.04.030(b) and 46.04.040(b) do not apply to the operation of an exploration
facility to the extent that it is used to explore for gas by means of drilling a well that
has been certified by the Alaska Oil and Gas Conservation Commission under
AS 31.05.030(i).

* Sec. 7. This Act takes effect immediately under AS 01.10.070(c).