AN ACT

Exempting certain natural gas exploration and production facilities from oil discharge prevention and contingency plans and proof of financial responsibility, and amending the powers and duties of the Alaska Oil and Gas Conservation Commission with respect to those plans; and providing for an effective date.

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

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1 Exempting certain natural gas exploration and production facilities from oil discharge
2 prevention and contingency plans and proof of financial responsibility, and amending the
3 powers and duties of the Alaska Oil and Gas Conservation Commission with respect to those
4 plans; and providing for an effective date.

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

   (l) For purposes of AS 46.04.050(c) and upon application by the operator, the
   commission shall evaluate the likelihood that a well at a natural gas exploration
   facility may penetrate a formation capable of flowing oil to the ground surface and
   issue a determination based on results of the evaluation. If the commission determines
   that evidence obtained through the evaluation demonstrates with reasonable certainty
   that a well will not penetrate a formation capable of flowing oil to the ground surface,
   it shall report its determination to the Department of Environmental Conservation. In
   this subsection,
(1) "natural gas exploration facility" has the meaning given in AS 46.04.050(c);

(2) "oil" has the meaning given in AS 46.04.050(c).

* 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 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. [THIS SUBSECTION DOES NOT APPLY TO AN EXPLORATION OR PRODUCTION FACILITY USED SOLELY TO EXPLORE FOR OR TO DEVELOP OR PRODUCE NONCONVENTIONAL GAS RESOURCES, EXCEPT THAT THIS EXEMPTION DOES NOT APPLY IF THE ALASKA OIL AND GAS CONSERVATION COMMISSION DETERMINES UNDER AS 31.05.030(j) THAT

(1) A WELL DRILLED FOR NONCONVENTIONAL GAS MAY PENETRATE A FORMATION CAPABLE OF FLOWING OIL; AND

(2) THE VOLUME OF OIL ENCOUNTERED WILL BE OF SUCH QUANTITIES THAT A CONTINGENCY PLAN WILL BE REQUIRED.]

* Sec. 3. 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 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

[(A) $25,000 PER INCIDENT FOR A FACILITY USED
SOLELY TO EXPLORE FOR NONCONVENTIONAL GAS BY MEANS
OF DRILLING A WELL TO EXPLORE FOR THE GAS; AND

(B) EXCEPT AS PROVIDED BY (A) OF THIS
PARAGRAPH,] $1,000,000 per incident.

* Sec. 4. AS 46.04.050(b) is amended to read:

(b) The provisions of AS 46.04.030 and 46.04.040 do not apply to a natural
gas production facility and a natural gas terminal facility; for purposes of this
subsection, [THE TERMS] "natural gas production facility" and "natural gas terminal
facility"

[(1)] mean a platform, facility, or structure that, except for storage of
refined petroleum products in a quantity that does not exceed 10,000 barrels, is
used solely for the production, compression, storage, or transport of natural gas [;

(2) DO NOT INCLUDE A PLATFORM, FACILITY, OR
STRUCTURE THAT PRODUCES, STORES, OR TRANSPORTS NATURAL GAS
IN COMBINATION WITH OIL].

* Sec. 5. AS 46.04.050 is amended by adding a new subsection to read:

(c) The provisions of AS 46.04.030 and 46.04.040 do not apply to a natural
gas exploration facility if the Alaska Oil and Gas Conservation Commission has
determined under AS 31.05.030(l) that evidence obtained through evaluation
demonstrates with reasonable certainty that all of the wells at a natural gas exploration
facility will not penetrate a formation capable of flowing oil to the ground surface. If
the drilling of a well at an exploration facility exempted under this subsection does
penetrate a formation capable of flowing oil to the surface, the owner or operator shall
submit an oil discharge prevention and contingency plan and proof of financial
responsibility to the department to meet the requirements of AS 46.04.030 and
46.04.040. For purposes of this subsection, "natural gas exploration facility" means a
platform, facility, or structure that, except for storage of refined petroleum products in
a quantity that does not exceed 10,000 barrels, is used solely for the exploration for natural gas.

* Sec. 6. AS 31.05.030(j)(2)(C) and AS 46.04.900(10) are repealed.

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