

**HOUSE CS FOR CS FOR SENATE BILL NO. 134(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-FIRST LEGISLATURE - FIRST SESSION**

**BY THE HOUSE FINANCE COMMITTEE**

**Offered: 5/13/99**

**Referred: Rules**

**Sponsor(s): SENATORS PEARCE, Halford**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act authorizing the Alaska Oil and Gas Conservation Commission to  
2 determine the amount of and to collect a charge for operating wells subject to  
3 the commission's jurisdiction, and to allocate expenses of investigation and hearing;  
4 authorizing the commission to employ additional professional staff; repealing the  
5 oil and gas conservation tax; and providing for an effective date."

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

7 \* **Section 1.** AS 31.05 is amended by adding a new section to article 1 to read:

8 **Sec. 31.05.085. Expenses of investigation or hearing.** (a) During a hearing  
9 or investigation held under this chapter, the commission may allocate the costs of the  
10 hearing or investigation among the parties, including the commission, as is just under  
11 the circumstances. In allocating costs, the commission shall consider the regulatory  
12 cost charge paid by a person under AS 31.05.093 and may consider the results,  
13 evidence of good faith, other relevant factors, and mitigating circumstances. The costs

1 allocated may include

2 (1) the costs of any time devoted to the investigation or hearing by  
3 hired consultants, whether or not the consultants appear as witnesses or participants;  
4 and

5 (2) any out-of-pocket expenses incurred by the commission in the  
6 particular proceeding.

7 (b) The commission shall provide an opportunity for any person objecting to  
8 an allocation to be heard before the allocation becomes final.

9 \* **Sec. 2.** AS 31.05 is amended by adding a new section to read:

10 **Sec. 31.05.093. Regulated well regulatory cost charge.** (a) Every person  
11 that on the first day of a state fiscal year is the operator of a well for which a permit  
12 to drill has been issued under AS 31.05.090 and that has not, before that day, been  
13 plugged and abandoned and reported as abandoned in accordance with regulations of  
14 the commission shall pay to the commission an annual regulatory cost charge for that  
15 fiscal year. A regulatory cost charge may not be collected from a person unless the  
16 operation for which the person is responsible is within the jurisdiction of the  
17 commission.

18 (b) The commission shall annually determine regulatory cost charges under this  
19 section. The regulatory cost charge to be paid by a person for a state fiscal year must  
20 be based on the total volume during the most recently concluded calendar year for the  
21 wells described in (a) of this section of which the person was the operator on the first  
22 day of the fiscal year as a percentage of the total volume during the same calendar  
23 year for all wells described in (a) of this section. For purposes of this subsection,  
24 "total volume" means the sum of the volume of all oil and gas produced from a well  
25 and all oil, gas, water, and other fluids, including waste slurry, injected into the well.  
26 For purposes of determining volume under this subsection, 6,000 cubic feet of gas has  
27 a volume that is the equivalent of one barrel of oil.

28 (c) The commission shall determine the regulatory cost charges levied under  
29 this section so that the total amount to be collected approximately equals the  
30 appropriations made for the operating costs of the commission under this chapter for  
31 the fiscal year, less the estimated total of the fees to be collected under AS 31.05.090.

If the amount the commission expects to collect under this section and under AS 31.05.090 exceeds the appropriations made for the operating costs of the commission under this chapter, the commission shall, by order, adjust the regulatory cost charges so that the total amount of the regulatory cost charges and fees that are collected approximately equals the appropriations made for the operating costs of the commission under this chapter for the fiscal year.

(d) The commission shall administer the collection of the regulatory cost charges imposed under this section. The Department of Administration shall identify the amount of the appropriations made for the operating costs of the commission under this chapter that lapses into the general fund each year. The legislature may appropriate to the commission for its operating costs under this chapter for the next fiscal year an amount that is at least equal to the lapsed amount. If the legislature makes an appropriation to the commission under this subsection that is at least equal to the lapsed amount, the commission shall reduce the total regulatory cost charge collected for that fiscal year by a comparable amount.

(e) The commission may adopt regulations under AS 44.62 (Administrative Procedure Act) necessary to administer this section, including regulations for investigation of the accuracy of reported information and for collecting required payments.

\* **Sec. 3.** AS 37.05.146(b)(4) is amended by adding a new subparagraph to read:

(W) Alaska Oil and Gas Conservation Commission under  
AS 31.05.

\* **Sec. 4.** AS 43.55.017(c) is amended to read:

(c) The taxes imposed by this chapter are not in place of the tax imposed by [AS 43.57 OR] income taxes, franchise taxes, or taxes upon the retail sale of oil or gas products.

\* **Sec. 5.** AS 43.56.030 is amended to read:

**Sec. 43.56.030. In place of other taxes.** Except for those taxes imposed under AS 43.55 [AND AS 43.57], the taxes levied or authorized under AS 43.56.010(b) are in place of

(1) all other ad valorem taxes or other taxes imposed by a municipality

on property subject to tax under this chapter or exempted from taxation by AS 43.56.020; [,] and

(2) all other taxes imposed by a municipality on or with respect to the property subject to tax under this chapter or exempted from taxation by AS 43.56.020, including, but not limited to,

(A) taxes on the retail sale or use of the property except for the retail sales tax on the first \$1,000 of each sale;

(B) taxes on the sale or use of gas or unrefined oil;

(C) taxes on the sale or use of services used in or associated with the property or in its maintenance or operation except for the sales tax on the first \$1,000 of each sale;

(D) taxes on or measured by gross or net income from the property, including income from the exploration for, production of, or pipeline transportation of gas or unrefined oil or property; and

(E) any license, excise, fee, charge or other tax on or pertaining to the property or services.

\* **Sec. 6.** AS 43.57.010 and AS 43.82.210(a)(3) are repealed.

\* **Sec. 7.** INITIAL REGULATORY COST CHARGE OF THE ALASKA OIL AND GAS CONSERVATION COMMISSION. In the absence of regulations adopted under AS 31.05.093(e), added by sec. 2 of this Act, the Alaska Oil and Gas Conservation Commission may determine regulatory cost charges under AS 31.05.093, added by sec. 2 of this Act, for the state fiscal year beginning July 1, 1999, and notify persons liable to pay the regulatory cost charges of the amounts so determined at any time on or after July 1, 1999. The commission may specify a time, no less than 20 days after notification, by which payment of the regulatory cost charges shall be made.

\* **Sec. 8.** ALASKA OIL AND GAS CONSERVATION COMMISSION EMPLOYMENT OF ADDITIONAL PROFESSIONAL STAFF. To the extent sufficient funds are appropriated for the purpose, during state fiscal year 2000, the Alaska Oil and Gas Conservation Commission shall employ, in addition to currently authorized professional staff, one petroleum engineer, one reservoir engineer, one petroleum geologist, and one inspector.

\* **Sec. 9.** This Act takes effect July 1, 1999.