

SENATE BILL NO. 176

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RESOURCES COMMITTEE

Introduced: 5/6/95

Referred: Resources

A BILL

FOR AN ACT ENTITLED

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

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

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

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

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

13 (b) A person may not cause or permit the operation of a pipeline or [AN

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

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

7 (s) If a well certified by the Alaska Oil and Gas Conservation Commission
8 under AS 31.05.030(i) penetrates a formation containing oil, the operator of the facility

9 (1) shall notify the department, the Alaska Oil and Gas Conservation
10 Commission, and all other appropriate state agencies; and

11 (2) may not conduct further exploration activity except in compliance
12 with an oil discharge prevention and contingency plan for the facility

13 (A) approved by the department; or

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

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

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

22 (1) a pipeline or an offshore exploration or production facility is
23 \$50,000,000 per incident;

24 (2) an onshore production facility is

25 (A) \$20,000,000 per incident if the facility produces over
26 10,000 barrels per day of oil;

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

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

31 (D) \$1,000,000 per incident if the facility produces 2,500 barrels

1 per day or less of oil;

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

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

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

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

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

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