

**SENATE BILL NO. 134**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY SENATOR PEARCE

Introduced: 4/1/99

Referred: Resources, Finance

**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 and repealing the oil and gas conservation tax; and providing for an effective  
5 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 permittee under AS 31.05.093 and may consider the results,  
13 ability to pay, evidence of good faith, other relevant factors, and mitigating

1 circumstances. The costs 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 operating a well for which a permit to drill has been issued under AS 31.05.090 and  
12 from which oil or gas is produced or into which oil, gas, water, or other fluids,  
13 including waste slurry, are injected shall pay to the commission an annual regulatory  
14 cost charge. A regulatory cost charge may not be collected from a person unless the  
15 operation for which the person is responsible is within the jurisdiction of the  
16 commission.

17 (b) The commission shall by regulation establish a method to determine  
18 annually the amount of the regulatory cost charge under this section. The regulatory  
19 cost charge to be paid by a person must be based on the total volume during a state  
20 fiscal year of the wells of the permittee as a percentage of the total volume during the  
21 same year of all wells for which permits to drill have been issued under AS 31.05.090.  
22 For purposes of this subsection, "volume" means the sum of all oil, gas, or water  
23 produced from wells, and oil, gas, water, and other fluids, including waste slurry,  
24 injected into the wells. For purpose of determining volume under this subsection,  
25 6,000 cubic feet of injected gas has a volume that is the equivalent of one barrel of oil.

26 (c) If the amount the commission expects to collect under this section and  
27 under AS 31.05.090 exceeds the appropriations made for the operating costs of the  
28 commission under this chapter, the commission shall, by order, adjust the regulatory  
29 cost charge so that the total amount of the regulatory cost charge and fees that are  
30 collected approximately equals the appropriations made for the operating costs of the  
31 commission under this chapter for the fiscal year.

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

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

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

15 (W) Alaska Oil and Gas Conservation Commission under  
 16 AS 31.05.093.

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

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

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

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

25 (1) all other ad valorem taxes or other taxes imposed by a municipality  
 26 on property subject to tax under this chapter or exempted from taxation by  
 27 AS 43.56.020; [,] and

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

31 (A) taxes on the retail sale or use of the property except for the

- 1 retail sales tax on the first \$1,000 of each sale;
- 2 (B) taxes on the sale or use of gas or unrefined oil;
- 3 (C) taxes on the sale or use of services used in or associated  
4 with the property or in its maintenance or operation except for the sales tax on  
5 the first \$1,000 of each sale;
- 6 (D) taxes on or measured by gross or net income from the  
7 property, including income from the exploration for, production of, or pipeline  
8 transportation of gas or unrefined oil or property; and
- 9 (E) any license, excise, fee, charge or other tax on or pertaining  
10 to the property or services.

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

12 \* **Sec. 7.** INITIAL REGULATORY COST CHARGE OF THE ALASKA OIL AND GAS  
13 CONSERVATION COMMISSION. Until adjusted as required by AS 31.05.093(c), added by  
14 sec. 2 of this Act, the regulated well regulatory cost charge to be levied and collected by the  
15 Alaska Oil and Gas Conservation Commission under AS 31.05.093 is \$1,000 per well.

16 \* **Sec. 8.** This Act takes effect July 1, 1999.