

CS FOR SENATE BILL NO. 134(RLS)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE

Offered: 4/28/99

Referred: Today's Calendar

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, plugged
13 and abandoned the well and reported abandonment of the well in accordance with
14 regulations of the commission shall pay to the commission an annual regulatory cost
15 charge for that fiscal year. A regulatory cost charge may not be collected from a
16 person unless the operation for which the person is responsible is within the
17 jurisdiction of the 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 of all wells described in (a) of this section for which permits to drill have been
24 issued under AS 31.05.090. For purposes of this subsection, "total volume" means the
25 sum of the volume of all oil and gas produced from a well and all oil, gas, water, and
26 other fluids, including waste slurry, injected into the well. For purposes of
27 determining volume under this subsection, 6,000 cubic feet of gas has a volume that
28 is the equivalent of one barrel of oil.

29 (c) The commission shall determine the regulatory cost charges levied under
30 this section so that the total amount to be collected approximately equals the
31 appropriations made for the operating costs of the commission under this chapter for

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

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

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

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

22 (W) Alaska Oil and Gas Conservation Commission under
 23 AS 31.05.093.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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