

HOUSE BILL NO. 197

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON OIL AND GAS

Introduced: 3/3/05

Referred: House Special Committee on Oil and Gas, Resources

A BILL

FOR AN ACT ENTITLED

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

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

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

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

1 (1) "natural gas exploration facility" has the meaning given in
2 AS 46.04.050(c);

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

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

5 (b) A person may not cause or permit the operation of a pipeline or an
6 exploration or production facility in the state unless an oil discharge prevention and
7 contingency plan for the pipeline or facility has been approved by the department and
8 the person is in compliance with the plan. [THIS SUBSECTION DOES NOT APPLY
9 TO AN EXPLORATION OR PRODUCTION FACILITY USED SOLELY TO
10 EXPLORE FOR OR TO DEVELOP OR PRODUCE NONCONVENTIONAL GAS
11 RESOURCES, EXCEPT THAT THIS EXEMPTION DOES NOT APPLY IF THE
12 ALASKA OIL AND GAS CONSERVATION COMMISSION DETERMINES
13 UNDER AS 31.05.030(j) THAT

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

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

18 * **Sec. 3.** AS 46.04.040(b) is amended to read:

19 (b) A person may not cause or permit the operation of a pipeline or an
20 exploration or production facility in the state unless the person has furnished to the
21 department, and the department has approved, proof of financial ability to respond in
22 damages. Proof of financial responsibility required for

23 (1) a pipeline or an offshore exploration or production facility is
24 \$50,000,000 per incident;

25 (2) an onshore production facility is

26 (A) \$20,000,000 per incident if the facility produces over
27 10,000 barrels per day of oil;

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

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

1 (D) \$1,000,000 per incident if the facility produces 2,500
2 barrels per day or less of oil;

3 (3) an onshore exploration facility is

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

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

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

10 (b) The provisions of AS 46.04.030 and 46.04.040 do not apply to a natural
11 gas production facility and a natural gas terminal facility; for purposes of this
12 subsection

13 **(1) "crude oil" does not include natural gas or refined petroleum**
14 **products;**

15 **(2)** [THE TERMS] "natural gas production facility" and "natural gas
16 terminal facility"

17 **(A)** [(1)] mean a platform, facility, or structure that is used
18 solely for the production, compression, storage, or transport of natural gas;

19 **(B)** [(2)] do not include a platform, facility, or structure that

20 **(i)** produces, stores, or transports natural gas in
21 combination with **crude oil; or**

22 **(ii)** **is an oil terminal facility regulated under**
23 **AS 46.04.030 and 46.04.040 by storing oil in quantities exceeding**
24 **those exempted by (a) of this section;**

25 **(3) "oil" has the meaning given in AS 46.04.900, except that "oil"**
26 **does not include natural gas.**

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

28 (c) The provisions of AS 46.04.030 and 46.04.040 do not apply to a natural
29 gas exploration facility if the Alaska Oil and Gas Conservation Commission has
30 determined under AS 31.05.030(l) that evidence obtained through evaluation
31 demonstrates with reasonable certainty that all of the wells at a natural gas exploration

1 facility will not penetrate a formation capable of flowing oil the ground surface. If the
 2 drilling of a well at an exploration facility exempted under this subsection does
 3 penetrate a formation capable of flowing oil to the surface, the owner or operator shall
 4 submit an oil discharge prevention and contingency plan and proof of financial
 5 responsibility to the department to meet the requirements of AS 46.04.030 and
 6 46.04.040. For purposes of this subsection,

7 (1) "crude oil" does not include natural gas or refined petroleum
 8 products;

9 (2) "natural gas exploration facility"

10 (A) means a platform, facility, or structure that is used solely
 11 for the exploration for natural gas;

12 (B) does not include a platform, facility, or structure that

13 (i) explores for, produces, stores, or transports natural
 14 gas in combination with crude oil; or

15 (ii) is an oil terminal facility regulated under
 16 AS 46.04.030 and 46.04.040 by storing oil in quantities exceeding
 17 those exempted by (a) of this section;

18 (3) "oil" has the meaning given in AS 46.04.900, except that "oil" does
 19 not include natural gas.

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

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