

**CS FOR HOUSE BILL NO. 197(RLS)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SESSION

**BY THE HOUSE RULES COMMITTEE**

**Offered: 4/6/05**

**Referred: Rules**

**Sponsor(s): HOUSE SPECIAL COMMITTEE ON OIL AND GAS**

**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, [THE TERMS] "natural gas production facility" and "natural gas terminal  
13 facility"

14 [(1)] mean a platform, facility, or structure that, **except for storage of**  
15 **refined petroleum products in a quantity that does not exceed 10,000 barrels,** is  
16 used solely for the production, compression, storage, or transport of natural gas [;

17 (2) DO NOT INCLUDE A PLATFORM, FACILITY, OR  
18 STRUCTURE THAT PRODUCES, STORES, OR TRANSPORTS NATURAL GAS  
19 IN COMBINATION WITH OIL].

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

21 (c) The provisions of AS 46.04.030 and 46.04.040 do not apply to a natural  
22 gas exploration facility if the Alaska Oil and Gas Conservation Commission has  
23 determined under AS 31.05.030(l) that evidence obtained through evaluation  
24 demonstrates with reasonable certainty that all of the wells at a natural gas exploration  
25 facility will not penetrate a formation capable of flowing oil to the ground surface. If  
26 the drilling of a well at an exploration facility exempted under this subsection does  
27 penetrate a formation capable of flowing oil to the surface, the owner or operator shall  
28 submit an oil discharge prevention and contingency plan and proof of financial  
29 responsibility to the department to meet the requirements of AS 46.04.030 and  
30 46.04.040. For purposes of this subsection, "natural gas exploration facility" means a  
31 platform, facility, or structure that, except for storage of refined petroleum products in

1 a quantity that does not exceed 10,000 barrels, is used solely for the exploration for  
2 natural gas.

3 \* **Sec. 6.** AS 31.05.030(j)(2)(C) and AS 46.04.900(10) are repealed.

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