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# FISCAL NOTE

STATE OF ALASKA  
1999 LEGISLATIVE SESSION

BILL NO. SB134

Revision Date/Time (Note if correction) \_\_\_\_\_ Dept. Affected \_\_\_\_\_ Dept. of Admin. \_\_\_\_\_  
 Title WELL REGULATORY COST CHARGE/CONS. TAX BRU AOGCC  
 Component AOGCC  
 Sponsor Sen. Pearce  
 Requester Senate Resources Component Serial No. 2010

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	240.0	240.0	240.0	240.0	240.0	240.0
Travel	48.1	48.1	48.1	48.1	48.1	48.1
Contractual	135.0	135.0	135.0	135.0	135.0	135.0
Supplies	4.0	4.0	4.0	4.0	4.0	4.0
Equipment	7.7	7.7	7.7	7.7	7.7	7.7
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>434.8</b>	<b>434.8</b>	<b>434.8</b>	<b>434.8</b>	<b>434.8</b>	<b>434.8</b>

CAPITAL EXPENDITURES (GF)	440.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ( )	0.0	0.0	0.0	0.0	0.0	0.0
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	(1,790.0)	(1,790.0)	(1,790.0)	(1,790.0)	(1,790.0)	(1,790.0)
1005 GF/Program Receipts						
1037 GF/Mental Health						
1108 Stat Desig	2,224.8	2,224.8	2,224.8	2,224.8	2,224.8	2,224.8
<b>TOTAL</b>	<b>434.8</b>	<b>434.8</b>	<b>434.8</b>	<b>434.8</b>	<b>434.8</b>	<b>434.8</b>

Estimate of any current year (FY99) cost: 0.0

**POSITIONS**

Full-time	3	3	3	3	3	3
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)  
(See Attached)

Prepared by Robert Christenson, PE  
 Division Alaska Oil and Gas Conservation Commission  
 Approved by Commissioner [Signature]  
 Agency \_\_\_\_\_

Phone 279-1433  
 Date April 12, 1999  
 Date 4/12/99

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## FISCAL NOTE

STATE OF ALASKA  
1999 LEGISLATIVE SESSION  
Analysis

BILL NO. **SB134**

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The AOGCC is the state oversight agency for all subsurface activity in the state and provides permits to drill, well workovers, reservoir management, data management, inspection of drilling activities, gas flaring, conservation measures, and protection of lessees rights. The proposed funding mechanism is a more representative way of allocating our costs among those who require our services. Our workload is directly related to industry activity and under this plan would be paid for directly by industry. It recognizes the long-term effort required of the Commission to follow the events that constitute the lifetime of a well and its reservoir. The expenditures are minimums required to execute the Commission's program and to comply with the Oil and Gas Conservation Act.

This fiscal note includes a FY2000 operating budget increment of \$434.8 and a one time capital budget request of \$440.0. The operating budget increment is based on the AOGCC's estimate of the total necessary to fund the agency's operations. The capital request is for funding necessary to relocate the AOGCC offices and to provide for necessary computer enhancements.

# Alaska State Legislature

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**Senator Drue Pearce**

## Sponsor Statement

### Senate Bill 134 Alaska Oil & Gas Conservation Commission

The Alaska Oil and Gas Conservation Commission (AOGCC) was created to protect the public interest through enforcement of the Alaska Oil and Gas Conservation Act. The commission's primary goal is to ensure that no hydrocarbons are wasted and that operations are conducted in manner that provides maximum recovery of the resource. SB 134 repeals the existing Oil & Gas Conservation Tax and institutes a stable funding source to assure that the commission is capable of carrying out their objectives.

The original intent of the Legislature was to have the oil & gas industry pay for the function of the commission through the Oil & Gas Conservation Tax. While this system may have been adequate in the past, it no longer is sufficient to cover the costs associated with the operation of the commission. This conservation tax is directly proportional to production with a 4 mils per barrel fee rate. The work of the commission, however, is not proportional to the production of oil and gas. Production is declining but the work of the commission is not.

SB 134 creates a program receipt system in which the regulatory cost charge is directly associated with the total volume of fluids produced or injected. This type of system more accurately reflects the factors directly associated with the workload of the commission. This approach would only assess costs where there is production or injection. Therefore, exploratory wells would not have a burden until they began production. SB 134 also contains a provision to provide for recovery of costs associated with an investigation or hearing. These costs would be allocated to the parties involved.

The commission experienced budget difficulties in the past, even when tax proceeds exceeded annual appropriations. The AOGCC is currently encountering budget difficulties that are directly related to the decline in oil production. SB 134 creates a stable funding source that will enable the AOGCC to provide the monitoring services necessary to protect the future of Alaskan interests.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
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130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

## MEMORANDUM

April 6, 1999

**SUBJECT:** Senate Bill 134, relating to the Alaska Oil and Gas Conservation Commission -- sectional analysis (Work Order No. 1-LS0259\I)

**TO:** Senator Drue Pearce

**FROM:** Jack Chenoweth  
Assistant Revisor of Statutes

The measure amends various provisions of the chapter establishing the Alaska Oil and Gas Conservation Commission (AS 31.05), adding provisions that relate to the commission's recovery of its regulatory costs and expenses through calculation and imposition of a regulatory cost charge and to allowing the commission to allocate the costs of its hearings and investigations. The bill also repeals the oil and gas conservation tax (AS 43.57.010); though the revenue from the tax is deposited into the general fund and may be used for various state purposes, the tax is commonly regarded as a source of money for the work of the commission.

**Bill section 1:** The provision adds a new section, AS 31.05.085, under which the commission is authorized to allocate costs of investigations and hearings among the parties-- the lessees subject to the commission's jurisdiction and the commission itself. The provision prescribes the basis for allocation of the costs.

**Bill section 2:** The provision adds a new section, AS 31.05.093, under which the commission is authorized to determine, by regulation, the amount of a regulatory cost charge. Under subsection (a), the charge is to be levied on "[e]very person operating a well for which a permit to drill has been issued under AS 31.05" and from which oil or gas is produced or into which oil, gas, water, or other fluids are re-injected. Subsection (b) specifies a formula by which the commission's regulatory cost charge shall be determined. Subsection (c) directs the commission to adjust the amount of the regulatory cost charge so that, when added to other fees, the charges and fees equal the amount appropriated for the work of the commission. Subsection (d) speaks to the collection and allocation of the amounts recovered from the regulatory cost charges. Subsection (e) authorizes adoption of implementing regulations.

**Bill section 3:** The subparagraph adds the amounts recovered by the Alaska Oil and Gas Conservation Commission under its regulatory cost charge authority to the list of non-general fund agency program receipts in the Executive Budget Act.

Senator Drue Pearce  
April 6, 1999  
Page 2

**Bill section 7:** This transitional provision sets the initial regulatory cost charge of the Alaska Oil and Gas Conservation Commission at \$1,000 per well.

\*

The repeal of AS 43.57.010 by **bill section 6** repeals the state's oil and gas conservation tax-- currently calculated at four mills per barrel of oil or per 50,000 cubic feet of natural gas.

**Bill sections 4 and 5:** The amendments eliminate references to the oil and gas conservation tax in the chapters levying and collecting state severance (AS 43.55) and pipeline property (AS 43.56) taxes.

The repeal of AS 43.82.210(a)(3) by **bill section 6** eliminates a reference to the oil and gas conservation tax in the "Alaska Stranded Gas Development Act," AS 43.82.

\*

**Bill section 8** proposes to give the measure a July 1, 1999, effective date.

JBC:jdr  
99-192.jdr

		Gross Liquid	Gross Gas	Gas,	Total Volume	\$			Conservation Tax Revenue	Calendar Yr 98		
					Liq+BOE	2,300,000	(Less Royally)	(Less Royally)	Estimated	Gas	Estimated	
Date	Stb	Mscf	BOE			Budget	Net Oil Vol	Net Gas	Conservation Tax	\$	Total	
						Fee Calc	Stb	Mcf	Oil		Conservation Tax	
						\$			\$		\$	
Cook In + NSB	1998	118,971,563	238,462,516	39,743,753	158,715,316	\$109,454	10,326,431	189,248,808	41,306	15,140	\$ 56,445.8	Cook Inlet + NSB
No Slope	1998	2,163,322,787	6,078,722,981	1,013,120,497	3,176,443,284	\$2,190,546	365,201,657	29,703,288	1,460,807	2,376	\$ 1,463,182.9	No Slope
					3,335,158,600		375,528,087	218,952,090			\$ 1,519,628.5	

Field	Field	Gross Liquid	Gross Gas	Gas,	Total Volume	Fee Calc	(Less Royally)	(Less Royally)	Conservation Tax Revenue	Gas	Calendar Yr 98	Field
Field	Field				Liq+BOE	2,300,000	Net Oil Vol	Net Gas	Estimated	\$	Estimated	Field
Field	Field	Stb	Mscf	BOE		Fee	Stb	Mcf	Conservation Tax		Total	Field
						\$			Oil		Conservation Tax	
									\$		\$	
Badami	060	1,130,326	464,847	77,475	1,217,801	832.9	639,529	51,643	2558	4	2562	Badami
Beaver Ck	080	120,995	3,743,166	623,861	744,850	513.7	89,734	3,275,270	359	262	621	Beaver Ck
Beluga R.	092	18,591	33,391,407	5,565,235	5,583,826	3850.7	-	29,217,481	0	2337	2337	Beluga R.
Duck Isl U.	220	156,919,158	231,664,510	38,610,752	195,529,910	134841.8	15,192,612	1,454,237	60770	116	60887	Duck Isl U.
E. Barrow	150	-	145,563	24,261	24,261	16.7	-	127,368	0	10	10	E. Barrow
Granite Pt.	280	4,957,028	2,635,226	439,204	5,396,232	3721.4	1,818,879	2,305,823	7276	184	7460	Granite Pt.
Ivan R.	360	647	4,531,576	755,263	755,910	521.3	-	3,965,129	0	317	317	Ivan R.
Kenal GF	448	62,655	12,757,150	2,126,192	2,188,847	1509.5	-	11,182,506	0	893	893	Kenal GF
Kuparuk R.	490	574,567,321	227,116,823	37,852,804	612,420,725	422339.0	84,245,824	1,992,689	336983	159	337143	Kuparuk R.
Lewis R.	500	1,847	101,770	16,967	18,809	13.0	-	89,049	0	7	7	Lewis R.
McArthur R.	520	86,052,419	73,819,275	12,303,213	98,355,632	67028.2	4,214,560	64,591,866	16858	5167	22026	McArthur R.
Mid. Gr. Shoal	524	7,557,341	1,882,426	313,738	7,871,079	5428.1	1,886,204	1,847,123	7545	132	7677	Mid. Gr. Shoal
Milne Pt.	525	81,198,215	16,487,386	2,747,898	83,946,113	57891.1	17,866,551	331,305	71466	27	71493	Milne Pt.
No Cook Inlet	564	21,721	53,963,860	8,993,977	9,015,698	6217.4	-	47,218,378	0	3777	3777	No Cook Inlet
Pretty Crk	580	71	435,347	72,558	72,629	50.1	-	380,929	0	30	30	Pretty Crk
Prudhoe B. Unit	640	1,175,423,125	5,482,885,154	913,814,192	2,089,237,317	1440784.8	205,648,413	23,322,560	822594	1866	824459	Prudhoe B. Unit
Pt McIntyre	666	174,084,042	120,104,261	20,017,377	194,101,419	133856.7	41,608,728	2,451,461	166435	196	166631	Pt McIntyre
So Barrow	764	-	80,717	13,453	13,453	9.3	-	70,627	0	6	6	So Barrow
Sterling GF	768	18	279	47	65	0.0	-	244	0	0	0	Sterling GF
Stump Lake	770	78	80,374	13,396	13,474	9.3	-	70,327	0	6	6	Stump Lake
Swanson R.	772	10,072,299	48,006,411	8,001,069	18,073,368	12463.8	797,094	22,599,716	3188	1808	4996	Swanson R.
Trading Bay Fld	800	6,653,615	1,537,479	256,247	6,909,862	4765.2	612,595	1,345,294	2450	108	2558	Trading Bay Fld
W McArthur R	930	3,452,238	240,952	40,159	3,492,397	2408.4	907,364	210,833	3629	17	3646	W McArthur R.
Walakpa	880	-	1,109,538	184,923	184,923	127.5	-	970,846	0	78	78	Walakpa
					3,335,158,600	\$2,300,000			\$1,502,112	\$17,508	\$1,519,621	

\* Assumes 13% No Slope Gas is Taxable

~~Fluids Cost Per~~  
6600 CF GAS = BARREL OF OIL EQUIVALENT

## SENATE COMMITTEE REPORT First Committee of Referral

DATE: 4/1/99

FURTHER: Finance

Date of 5-Day Notice: 4/8/99  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 4/12/99

Resources Committee considered

SENATE BILL NO. 134

WELL REGULATORY COST CHARGE/CONS. TAX

and recommends:

- be replaced with \_\_\_\_\_ CS SB 134 ( RES )
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ ( \_\_\_\_\_ )
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:  
 same title  
 new title  
House Bill:  
 same title  
 technical title  
 new: SCR# \_\_\_\_\_

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	✓	<i>[Signature]</i>	✓		
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
CHAIR: <i>[Signature]</i>	✓	CHAIR:			

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal
<i>ADMIN / AOGCL</i>	<i>4/12</i>		<i>434.8</i>

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

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1999 LEGISLATIVE SESSION

BILL NO. SB134

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 Requester Senale Resources Component Serial No. 2010

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Land & Structures						
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Miscellaneous						
<b>TOTAL OPERATING</b>	<b>434.8</b>	<b>434.8</b>	<b>434.8</b>	<b>434.8</b>	<b>434.8</b>	<b>434.8</b>

<b>CAPITAL EXPENDITURES (GF)</b>	<b>440.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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**FUND SOURCE** (Thousands of Dollars)

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Estimate of any current year (FY99) cost: 0.0

**POSITIONS**

Full-time	3	3	3	3	3	3
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)  
(See Attached)

Prepared by Robert Christenson, PE  
 Division Alaska Oil and Gas Conservation Commission  
 Approved by Commissioner [Signature]  
 Agency \_\_\_\_\_

Phone 279-1433  
 Date April 12, 1999  
 Date 4/17/99

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