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Chapter No.
34

AN ACT

Authorizing the Alaska Oil and Gas Conservation Commission to determine the amount of and to collect a charge for operating wells subject to the commission's jurisdiction, and to allocate expenses of investigation and hearing; authorizing the commission to employ additional professional staff; repealing the oil and gas conservation tax; and providing for an effective date.

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

THE ACT FOLLOWS ON PAGE 1

Approved by the Governor: June 1, 1999
Actual Effective Date: July 1, 1999

AN ACT

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2 to collect a charge for operating wells subject to the commission's jurisdiction, and to allocate
3 expenses of investigation and hearing; authorizing the commission to employ additional
4 professional staff; repealing the oil and gas conservation tax; and providing for an effective
5 date.

6

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

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

28 (c) The commission shall determine the regulatory cost charges levied under
29 this section so that the total amount to be collected approximately equals the
30 appropriations made for the operating costs of the commission under this chapter for
31 the fiscal year, less the estimated total of the fees to be collected under AS 31.05.090.

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

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

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

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

21 (W) Alaska Oil and Gas Conservation Commission under
22 AS 31.05.

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

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

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

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

31 (1) all other ad valorem taxes or other taxes imposed by a municipality

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1 on property subject to tax under this chapter or exempted from taxation by
2 AS 43.56.020; [,] and

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

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

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

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

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

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

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

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

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

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