



ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER

Co-Chair: Senate Resources Committee

Member: C&RA Committee

Member: LB&A Committee

Member: Regulatory Review

Member: World Trade

Official Business

Session: January - May

State Capitol, #427

Juneau, AK 99801

Phone: 907-465-2828 Fax: 907-465-4779

Interim: May - December

145 Main Street Loop, Suite 226

Kenai, AK 99611

Phone: 907-283-7996 Fax: 907-283-8127

Sectional

SB 145 "An Act providing for a credit against the oil and gas production tax for costs incurred for conducting seismic exploration and drilling certain oil or natural gas exploration wells in certain basins; and providing a special tax rate for new oil or gas production south of 68 degrees North latitude."

Section 1. Amends AS 43.55.011(e) to add reference to a new subsection (p).

Section 2. Adds a new subsection(p) to AS 43.55.011 that provides a four percent of the gross value at the point of production tax rate after December 31, 2012 for the seven years immediately following the commencement of commercial production from a lease of property or a unit that did not have oil or gas production before January 1, 2013, and that is not gas subject to AS 43.55.011 (i), (j) or (o) or oil subject to (k).

Section 3. Amends AS 43.55.025(a) to add a new subsection (6) that allows a production tax credit for exploration drilling expenditures, described in a new subsection (n), that qualify under (b) and (c) of AS 43.55.025 in the amount of 80% of the total expenditures or \$22.5 million, whichever is less; and adds a new subsection (7) that allows a production tax credit for seismic exploration expenditures, described in a new subsection (o), that qualify under (b) of AS 43.55.025 in the amount of 75% of the total seismic exploration expenditures or \$7.5 million, whichever is less.

Section 4. Makes a conforming change to AS 43.55.025(c) to include the new subsection (6)

Section 5. Adds a new subsection (n) to AS 43.55.025 providing that the first four exploration drillers that drill an exploration well on state or private land, within the areas identified in subsection (p), are eligible for tax credits described under (a)(6). Specifies that a credit may not be taken for more than two wells in a single area described in (p) and work must be performed after June 1, 2012. Provides that if the well is on private land, the driller shall obtain written consent from the owner of the oil and gas interest for the full public release of all well data after the expiration of the confidentiality period provided under subsection (f) and submit that consent to DNR before approval of the proposed well.

In addition to the requirements of (c), adds that the explorer shall obtain approval from DNR before the well is spudded, and gives the commissioner 60 days to

approve the request, based on consideration of certain factors that will help validate the soundness of the proposed exploration plan and its likelihood of success.

Clarifies that a taxpayer taking a credit under this section may not stack the credit with other credits allowed under AS 43.55.023.

Adds a new subsection (o) to AS 43.55.025 providing that the first four seismic exploration projects in the state that are within the areas identified in (p) are eligible for the credits under (a)(7). Specifies that a credit may not be taken for more than one seismic project in a single area described in (p) and work must be performed after June 1, 2012. Provides that if the seismic is on private land, the driller shall obtain written consent from the owner of the oil and gas interest for the full public release of all seismic data after the expiration of the confidentiality period provided under subsection (f)(2) and submit that consent to DNR before approval of the proposed seismic project.

Further provides that the explorer shall obtain approval from DNR before the seismic exploration project commences, and gives the commissioner 60 days to approve the request, based on consideration of certain factors that will help validate the soundness of the proposed exploration plan and its likelihood of success.

Clarifies that a taxpayer taking a credit under this section may not stack the credit with other credits allowed under AS 43.55.023.

Adds a new subsection (p) that lists six areas within the state where exploration projects may be conducted and qualify for the tax credits under (a)(6) and (a)(7).