

**HOUSE BILL NO. 386**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVE KOHRING

Introduced: 1/20/06

Referred: House Special Committee on Oil and Gas, Resources, Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act making uniform throughout the state the deadline for certain exploration  
2 expenditures used as credits against the production tax on oil and gas produced from a  
3 lease or property in the state by extending to July 1, 2010, the deadline for those  
4 expenditures on leases or properties located north of 68 degrees, 15 minutes, North  
5 latitude."

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

7 \* **Section 1.** AS 43.55.025(b) is amended to read:

8 (b) To qualify for the production tax credit under (a) of this section, an  
9 exploration expenditure must be incurred for work performed on or after July 1, 2003,  
10 and before July 1, 2010 [2007], except that an exploration expenditure for a Cook Inlet  
11 prospect must be incurred for work performed on or after July 1, 2005, [AND  
12 BEFORE JULY 1, 2010, AND EXCEPT THAT AN EXPLORATION  
13 EXPENDITURE, IN WHOLE OR IN PART, SOUTH OF 68 DEGREES, 15

1 MINUTES, NORTH LATITUDE, AND NOT PART OF A COOK INLET  
2 PROSPECT MUST BE INCURRED FOR WORK PERFORMED ON OR AFTER  
3 JULY 1, 2003, AND BEFORE JULY 1, 2010,] and

4 (1) may be for seismic or geophysical exploration costs not connected  
5 with a specific well;

6 (2) if for an exploration well,

7 (A) must be incurred by an explorer that holds an interest in the  
8 exploration well for which the production tax credit is claimed;

9 (B) may be for either an oil or gas discovery well or a dry hole;

10 and

11 (C) must be for goods, services, or rentals of personal property  
12 reasonably required for the surface preparation, drilling, casing, cementing,  
13 and logging of an exploration well, and, in the case of a dry hole, for the  
14 expenses required for abandonment if the well is abandoned within 18 months  
15 after the date the well was spudded;

16 (3) may not be for testing, stimulation, or completion costs;  
17 administration, supervision, engineering, or lease operating costs; geological or  
18 management costs; community relations or environmental costs; bonuses, taxes, or  
19 other payments to governments related to the well; or other costs that are generally  
20 recognized as indirect costs or financing costs; and

21 (4) may not be incurred for an exploration well or seismic exploration  
22 that is included in a plan of exploration or a plan of development for any unit on  
23 May 13, 2003.