

SENATE BILL NO. 290

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY SENATOR WAGONER

Introduced: 2/22/10

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act providing a credit against the tax on the production of oil and gas for drilling**
2 **certain exploration wells in the Cook Inlet sedimentary basin."**

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

4 *** Section 1.** AS 43.55.025(a) is amended to read:

5 (a) Subject to the terms and conditions of this section, a credit against the
6 production tax levied by AS 43.55.011(e) is allowed for exploration expenditures that
7 qualify under (b) of this section in an amount equal to one of the following:

8 (1) 30 percent of the total exploration expenditures that qualify only
9 under (b) and (c) of this section;

10 (2) 30 percent of the total exploration expenditures that qualify only
11 under (b) and (d) of this section;

12 (3) 40 percent of the total exploration expenditures that qualify under
13 (b), (c), and (d) of this section; [OR]

14 (4) 40 percent of the total exploration expenditures that qualify only

1 under (b) and (e) of this section; or

2 (5) 50, 75, or 100 percent of the total exploration expenditures
 3 described in (b)(1) and (2) of this section and not excluded by (b)(3) and (4) of
 4 this section that qualify only under (m) of this section.

5 * **Sec. 2.** AS 43.55.025 is amended by adding a new subsection to read:

6 (m) The first three unaffiliated persons that each bore a hole in the drilling of
 7 an exploration well for the purpose of discovering oil or gas in a Cook Inlet prospect
 8 in the sub-Cretaceous zone are eligible for the credit under this subsection. The person
 9 that drills the first exploration well is entitled to a credit in the amount of 100 percent
 10 of its exploration expenditures; the person that drills the second exploration well is
 11 entitled to a credit in the amount of 75 percent of its exploration expenditures; and the
 12 person that drills the third exploration well is entitled to a credit in the amount of 50
 13 percent of its exploration expenditures. A person or an affiliate of a person drilling an
 14 exploration well is not entitled to a credit for more than one exploration well. If more
 15 than one person qualifies for the credit under this subsection, the commissioner shall
 16 make a written determination identifying each person eligible for the credit and the
 17 amount of the credit to which that person is entitled. If the exploration well for which
 18 a credit is received under this subsection results in production in paying quantities, and
 19 notwithstanding that the credit may have been transferred under (g) of this section, 50
 20 percent of the amount of the credit received shall be paid in monthly installments to
 21 the department by the person that received the credit during the 10-year period after
 22 the first production in paying quantities. Whether the target of an exploration well for
 23 which a credit is applied under this section is in the sub-Cretaceous zone shall be
 24 determined by the commissioner of natural resources and reported to the
 25 commissioner.