

CS FOR SENATE BILL NO. 302 (FINANCE)
IN THE LEGISLATURE OF THE STATE OF ALASKA
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 5/4/92
Referred: Rules

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to exploration incentive credits for geophysical work and for the drilling
2 of exploratory and stratigraphic test wells on certain land in the state, and providing that
3 the credits may be deducted from rentals, royalties, bonuses, or taxes due the state; and
4 providing for an effective date."

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

6 * Section 1. AS 38.95 is amended by adding a new section to read:

7 ARTICLE 7. EXPLORATION INCENTIVE CREDITS.

8 Sec. 38.95.300. EXPLORATION INCENTIVE CREDITS. (a) In addition to the
9 exploration incentive credit authorized by AS 38.05.180(i), the commissioner may give an
10 exploration incentive credit for each of the following activities performed on land in the state
11 except land described in (b) of this section:

- 12 (1) geophysical work on land that is not subject to a credit under AS 38.05.180(i);
- 13 (2) drilling a stratigraphic test well; and
- 14 (3) drilling an exploratory well.

1 (b) The provisions of this section do not apply to the Cook Inlet sedimentary basin or
2 the North Slope sedimentary basin. The Department of Natural Resources shall, by regulation,
3 provide legal descriptions for each of these two basins.

4 (c) An exploration incentive credit authorized by (a) of this section may be applied
5 against

6 (1) a payment or obligation against which the credit authorized by
7 AS 38.05.180(i) may be claimed;

8 (2) taxes payable under AS 43.20; and

9 (3) oil and gas bonus payments due the state under AS 38.05.180(f).

10 (d) An exploration incentive credit authorized by (a) of this section is available only if

11 (1) a stratigraphic test well or exploratory well is drilled or geophysical work is
12 carried out after the effective date of this Act and before July 1, 1997;

13 (2) copies of all raw and processed data derived from drilling a stratigraphic test
14 well or exploratory well or performing geophysical work are made available to the commissioner
15 within 30 days following its availability; the provisions of AS 38.05.035(a)(9)(C) apply to data
16 obtained by the commissioner under this paragraph, except that the commissioner may, in the
17 commissioner's discretion, make that geophysical data available to third parties if the
18 commissioner determines that disclosure of the data is necessary to generate interest in the
19 affected state land; and

20 (3) application for the credit is made to the commissioner and is approved by the
21 commissioner before the drilling or geophysical work commences.

22 (e) An exploration incentive credit authorized by (a) of this section shall be based on
23 costs approved by the commissioner, and may not exceed 50 percent of the costs of

24 (1) geophysical work performed;

25 (2) drilling the stratigraphic test well; or

26 (3) drilling the exploratory well.

27 (f) The total of all credits approved by the commissioner under this section may not
28 exceed \$30,000,000. Credits shall be used during a limited period established by the
29 commissioner and may be assigned during that period.

30 (g) Amounts due the permanent fund under AS 37.13.010 shall be calculated before the
31 application of credits under this section.

1 (h) In this section,

2 (1) "commissioner" means the commissioner of natural resources;

3 (2) "exploratory well" means a well drilled for the purpose of oil and gas
4 exploration that is

5 (A) located three miles or more from another well drilled for oil and gas
6 with all distances measured as the horizontal distance between exploration targets; or

7 (B) within three miles of a well drilled for oil and gas, but tests potential
8 hydrocarbon traps that the commissioner, after analyzing evidence submitted by the lessee
9 and other information, determines constitute a distinctly separate exploration target;

10 (3) "geophysical work"

11 (A) means all geophysical methods used in hydrocarbon exploration and
12 for the determination of geologic hazards;

13 (B) includes seismic, gravity, magnetic, and electromagnetic
14 measurements;

15 (4) "stratigraphic test well" means a well drilled to a sufficient depth to measure
16 the geologic, geophysical, and engineering parameters used for determining an area's oil and gas
17 potential.

18 * Sec. 2. PROVISIONS NOT APPLICABLE TO AS 38.05.180(i). The provisions of AS 38.95.300,
19 added by sec. 1 of this Act, do not affect AS 38.05.180(i).

20 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).