

SENATE BILL NO. 151

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 3/5/93
Referred: O&G, JUD, FIN

A BILL

FOR AN ACT ENTITLED

1 "An Act providing for oil and gas exploration incentive credits for certain
2 activities on certain land in the state; and providing for an effective date."

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

4 * Section 1. AS 41 is amended by adding a new chapter to read:

5 CHAPTER 09. OIL AND GAS EXPLORATION INCENTIVE CREDITS.

6 Sec. 41.09.100. EXPLORATION INCENTIVE CREDITS. (a) Under an
7 incentive program distinct from the exploration incentive credit authorized by
8 AS 38.05.180(i), the commissioner may extend to a qualified applicant an exploration
9 incentive credit for each of the following activities performed on land in the state,
10 regardless of whether the land is state-owned land:

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

1 (b) An exploration incentive credit extended under (a) of this section may be
2 applied against

3 (1) a payment or obligation against which a credit authorized by
4 AS 38.05.180(i) may be claimed;

5 (2) taxes payable under AS 43.20; and

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

7 (c) An exploration incentive credit may be extended under (a) of this section
8 to a qualified applicant if

9 (1) application for the exploration incentive credit is made by the
10 qualified applicant to the commissioner and is approved before drilling or geophysical
11 work commences;

12 (2) all geophysical work is performed, and all stratigraphic test wells
13 or exploratory wells are drilled, after the effective date of this section and before
14 July 1, 2003; and

15 (3) copies of all raw and processed data derived from drilling a
16 stratigraphic test well or exploratory well or performing geophysical work are provided
17 by the qualified applicant to the commissioner within 30 days after the completion,
18 abandonment, or suspension of the well or completion of the geophysical work.

19 (d) Data derived from drilling a stratigraphic test well or exploratory well that
20 is provided to the commissioner under (c)(3) of this section shall be kept confidential
21 for 24 months after receipt by the commissioner unless the owner of the well gives
22 written permission to the state to release the well data at an earlier date. The
23 provisions of AS 38.05.035(a)(9)(C) apply to other data provided to the commissioner
24 under (c)(3) of this section, except that the commissioner, under appropriate
25 confidentiality provisions and without preference or discrimination, may display to all
26 interested third parties, but may not distribute or transfer in hard copy or electronic
27 form, those data with respect to all land if the commissioner determines that the
28 limited disclosure is necessary to further the interest of the state in evaluating or
29 developing its land.

30 (e) The amount of an exploration incentive credit extended under (a) of this
31 section is determined by the commissioner and must be based on eligible costs,

1 approved by the commissioner, of performing geophysical work, drilling a stratigraphic
2 test well, and drilling an exploratory well. The amount of an exploration incentive
3 credit may not exceed 50 percent of eligible costs relating to activities performed on
4 state-owned land and 25 percent of eligible costs relating to activities performed on
5 land in the state not owned by the state.

6 (f) The amount of an exploration incentive credit extended under (a) of this
7 section may not exceed \$5,000,000 per eligible project, as defined by the
8 commissioner by regulation. The total of all credits extended by the commissioner
9 under (a) of this section may not exceed \$50,000,000.

10 (g) An exploration incentive credit must be used within five years after it is
11 extended under (a) of this section, and may be assigned by the qualified applicant to
12 any other person for the purposes described in (b) of this section.

13 (h) Amounts due the permanent fund under AS 37.13.010 shall be calculated
14 before the application of a credit extended under (a) of this section.

15 Sec. 41.09.170. REGULATIONS. The commissioner may adopt regulations
16 necessary to implement AS 41.09.100 - 41.09.190.

17 Sec. 41.09.180. RELATIONSHIP TO AS 38.05. Nothing in AS 41.09.100 -
18 41.09.190 affects the exploration incentive credit system provided for in
19 AS 38.05.180(i).

20 Sec. 41.09.190. DEFINITIONS. In AS 41.09.100 - 41.09.190,

21 (1) "eligible costs" means those direct costs incurred for activities in
22 support of an exploration program, based upon the footage drilled or miles surveyed,
23 that are reasonable in amount for the area of the state in which a well is drilled or
24 geophysical activity is conducted;

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

27 (A) located three or more miles from another well drilled for
28 oil and gas, with all distances measured as the horizontal distance between
29 exploration targets (bottom hole distance); or

30 (B) within three miles of a well drilled for oil and gas, but tests
31 potential hydrocarbon traps that the commissioner, after analyzing evidence

1 submitted by the qualified applicant and any other information, determines
2 constitute a distinctly separate exploration target;

3 (3) "geophysical work"

4 (A) means all geophysical data gathering methods used in
5 hydrocarbon exploration;

6 (B) includes seismic, gravity, magnetic, and electromagnetic
7 measurements;

8 (4) "qualified applicant" means

9 (A) a natural person who is at least 18 years of age;

10 (B) a corporation qualified to do business in Alaska;

11 (C) a legal guardian or trustee of a qualified natural person
12 described in (A) of this paragraph;

13 (D) any association of persons listed in (A) - (C) of this
14 paragraph;

15 (5) "stratigraphic test well" means a well that is not intended to
16 encounter an oil or gas accumulation and that is drilled to a sufficient depth to measure
17 the geological, geophysical, and engineering parameters used for determining an area's
18 oil and gas potential.

19 * Sec. 2. REGULATIONS. The commissioner of natural resources may proceed to adopt
20 regulations necessary to implement this Act. The regulations take effect under the
21 Administrative Procedure Act (AS 44.62), but not before the effective date of sec. 1 of this
22 Act.

23 * Sec. 3. Section 2 of this Act takes effect immediately under AS 01.10.070(c).