

**HOUSE CS FOR SENATE BILL NO. 151(FIN) am H
IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTEENTH LEGISLATURE - SECOND SESSION**

BY THE HOUSE FINANCE COMMITTEE

Amended: 4/27/94

Offered: 4/25/94

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

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, 2004; 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, and,
23 notwithstanding AS 31.05.035(c), confidentiality may not be extended beyond 24
24 months. The provisions of AS 38.05.035(a)(9)(C) apply to other data provided to the
25 commissioner under (c)(3) of this section, except that the commissioner, under
26 appropriate confidentiality provisions and without preference or discrimination, may
27 display to all interested third parties, but may not distribute or transfer in hard copy
28 or electronic form, those data with respect to all land if the commissioner determines
29 that the limited disclosure is necessary to further the interest of the state in evaluating
30 or developing its land.

31 (e) The amount of an exploration incentive credit extended under (a) of this

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

7 (f) The amount of an exploration incentive credit extended under (a) of this
8 section may not exceed \$5,000,000 per eligible project, as defined by the
9 commissioner by regulation. The total of all credits extended by the commissioner
10 under (a) of this section may not exceed \$30,000,000.

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

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

16 (i) The commissioner may not allow to a qualified applicant the claim of an
17 exploration incentive credit under this chapter for an activity of the qualified applicant
18 that occurs in any year in which the qualified applicant owes a liquidated debt to a
19 state agency or to a public corporation of the state. The applicant's failure to obtain
20 the claim of the exploration incentive credit under this subsection waives the credit for
21 those activities in any subsequent year. In this subsection, "liquidated debt" means a
22 debt that is immediately and unconditionally due, either by agreement of the state and
23 the qualified applicant or by law, and that involves an obligation or payment against
24 which the exploration incentive credit may be claimed under AS 41.09.100(b).

25 Sec. 41.09.170. REGULATIONS. The commissioner shall adopt regulations
26 necessary to implement this chapter.

27 Sec. 41.09.180. RELATIONSHIP TO AS 38.05. Nothing in this chapter
28 affects the exploration incentive credit system provided for in AS 38.05.180(i).

29 Sec. 41.09.190. DEFINITIONS. In this chapter,

30 (1) "eligible costs" means those direct costs incurred for activities in
31 support of an exploration program, based upon the footage drilled or miles surveyed,

1 that are reasonable in amount for the area of the state in which a well is drilled or
2 geophysical activity is conducted;

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

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

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

12 (3) "geophysical work"

13 (A) means all geophysical data gathering methods used in
14 hydrocarbon exploration;

15 (B) includes seismic, gravity, magnetic, and electromagnetic
16 measurements;

17 (4) "qualified applicant" means

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

19 (B) a corporation qualified to do business in the state;

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

22 (D) any association of persons listed in (A) - (C) of this
23 paragraph;

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

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

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