

SB

302

WALTER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

May 17, 1991

302

The Honorable Richard I. Eliason
President of the Senate
P.O. Box V
Juneau, AK 99811

Dear President Eliason:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to credits for drilling stratigraphic test wells. The bill authorizes the commissioner of natural resources to extend exploration incentive credits under AS 38.05.180(i) to persons drilling stratigraphic test wells between July 1, 1991 and July 1, 1993 on land in the state.

Currently, AS 38.05.180(i) permits the commissioner to grant oil and gas lessees credits against royalty and tax payments due the state. The credits are limited to one-half of a lessee's costs for drilling an exploratory well or performing geophysical work.

The purpose of the new credits is to encourage the drilling of stratigraphic test wells on land not currently under oil or gas lease. In an effort to obtain information that would help the state complete, by January 1994, its selection of land under the Alaska Statehood Act, all the major oil and gas companies operating in the state have already been asked to consider drilling stratigraphic test wells on unleased land; none are motivated in the absence of credits.

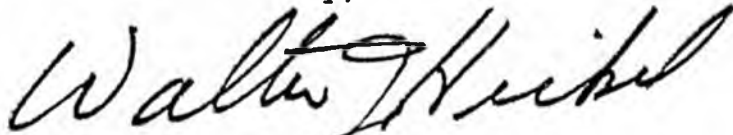
The bill requires the driller to provide the state with well data before a credit is approved. This assures that no credit will be granted unless the state receives, in exchange for the credit, information bearing on the selection of land under the Alaska Statehood Act.

The total of all credits granted for drilling stratigraphic test wells may not exceed \$20,000,000. If drillers' costs approved for credit exceed \$20,000,000, then \$20,000,000 in credits would be pro-rated among the drillers on the basis of approved costs.

The Honorable Richard Eliason - 2 -

AS 38.05.180(i) is rewritten by the bill to prevent that subsection from becoming unduly cumbersome through the addition of the language providing for the new credits. No substantive change has been made in the existing provisions.

Sincerely,

A handwritten signature in cursive script that reads "Walter J. Hickel". The signature is written in dark ink and is positioned above the typed name.

Walter J. Hickel
Governor

FISCAL NOTE

STATE OF ALASKA
1992 LEGISLATIVE SESSION

No. 48

Bill Version: CSSB 302 (FIN)

(S) Publish Date: 5-4-92

Revision Date: 4-May-92 Department Affected: Natural Resources
 Title: Strat. Test Well Credits BRU: Petroleum Management
 Components: Petroleum Management
 Sponsor: Senate Rules (for Governor)
 Requestor: Senate Finance COMPONENT SERIAL NO. 439

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
OPERATING						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE	**	**	**	**	**	**
Funding Source:						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
Funding Source: 1007						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of Current year impact: -0-

ANALYSIS: (Attach a separate page if necessary)
 ** Will result in \$0 to \$30 million in total credits against taxes, royalties, bonuses, etc. for work approved by the Commissioner.

Prepared by: Carol Wilson Phone: 465-2400
 Division: Commissioner's Office Date: 4-May-92
 Approved by Commissioner: Harold C. Heinze Date: 4-May-92
 Agency: Department of Natural Resources

Distribution (by preparer) : Legislative Finance, legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

No. 5

Bill Version: CSSB 302 (FIN)

(S) Publish Date: 5-4-92

STATE OF ALASKA
LEGISLATIVE SESSION

Effective Date: May 4, 1992

Relating to exploration incentive credits...

Department Affected: Revenue

BRU: Revenue Operations

Component: Oil & Gas Audit

Requested by: Sen Rules by Request of Governor

Requestor: Sen Finance

Component Serial No.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
LEVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
DEBTS, CLAIMS						
CELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE FUND SOURCE
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Other: (Thousands of Dollars)

GENERAL FUND						
OTHER GENERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	0	0	0	0	0	0

EMPLOYEES:

FULL-TIME						
PART-TIME						
TEMPORARY						

Net impact of current year impact: 0

ANALYSIS: * Over the course of the five year term exploration credits could total between \$0 and \$30 million. It is impossible to predict the actual year and dollar amount.

Prepared by: Rod Mourant

Phone: 463-2300

Address: Commissioner's Office

Date: 5/4/92

Approved by Commissioner: [Signature]

Department: Revenue

Approval (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).