

SB302

SENATE FINANCE COMMITTEE REPORT

DATE: 4/15/92

FURTHER:

DATE TURNED INTO OFFICE: 5-4-92

The Finance Committee considered SENATE BILL NO. 302

"An Act relating to credits against certain payments due the state, earned by drilling stratigraphic test wells on unleased land; and providing for an effective date."

and recommends:

- replace with CS 50 302 (FINANCE)
or adopt previous CS _____ (_____)
 attaches amendment(s)

- same title
 new title
 technical title change (HB only)

- adopts _____ Letter of Intent
 further referral to the _____

- do pass
 do not pass
 no recommendation
 individual recommendations

NEW FISCAL NOTES: Dept/Date

zero fiscal notes DOR 5-4-92
DNR 5-4-92

fiscal notes _____

appropriation--no fiscal note

PREVIOUS FISCAL NOTES: Dept/Date

zero fiscal notes _____

fiscal notes _____

DO PASS:

Al Sedberry
[Signature]
[Signature]
[Signature]
[Signature]

1. [Signature] no rec
Co-Chair: Signature/Recommendation

OTHER RECOMMENDATIONS:

J. Duncan - no rec

2. _____
Co-Chair: Signature/Recommendation

Revision Date: May 4, 1992

Department Affected: Revenue

Subject: Relating to exploration incentive credits...

BRU: Revenue Operations

Component: Oil & Gas Audit

Sponsor: Sen Rules by Request of Governor

Component Serial No.

Requestor: Sen Finance

0	1	1	5
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE FUND SOURCE	*	*	*	*	*	*
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FUNDING: (Thousands of Dollars)

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

EMPLOYMENT:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimated 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: 465-2300

Location: Commissioner's Office

Date: 5/4/92

Approved by Commissioner: [Signature]

Agency: Revenue

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

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO. CS CSSB 302 (Fin)

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)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
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. Heings Date: 4-May-92
 Agency: Department of Natural Resources

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

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:
Referred:

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).

This note is a 1992 update of note #1

**STATE OF ALASKA
1992 LEGISLATIVE SESSION**

BILL NO. SB 302

Revision Date: January 21, 1992

Department Affected: Natural Resources

Title: Stratigraphic Test Well Credits

BRU: Natural Resources

Components: Petroleum Management

Sponsor: Rules for Governor

Requestor: Senate Oil & Gas

COMPONENT SERIAL NO. 439

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
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						
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REVENUE						
Funding Source:						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
Funding Source:						
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)

Would allow up to \$20 million in credits against royalty and tax payments for drilling stratigraphic test wells and providing the information to the state.

Prepared by: Carol Wilson

Phone: 465-2400

Division: Commissioner's Office

Date: 21-Jan-92

Approved by Commissioner: HC Heinze

Date: 21-Jan-92

Agency: Department of Natural Resources

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

FISCAL NOTE

Bill Version: SP 102

(S) Publish Date: 5/7/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____ Department Affected: Revenue/Natural Resources

Title: "An Act related to credits against BRU: Revenue Operations

certain payments due the state, ..." Component: Oil & Gas Audit

Sponsor: Rules Committee by request of Governor

Requestor: _____ COMPONENT SERIAL NO.

	1	1	5
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING:	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING:						

CAPITAL						
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REVENUE:	- - - (\$0)	(\$20mm)	-	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	- - - (\$0)	(\$20mm)	-	0	0	0	0
FEDERAL FUNDS							
OTHER							
TOTAL	- - - (\$0)	(\$20mm)	-	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: 0

ANALYSIS: (Attach a separate page if necessary.)

(see attachment)

Prepared By: Roger Marks *[Signature]* Phone: 277-5627
 Division: Oil & Gas Audit Date: 5/10/91

Approved by Commissioner: *[Signature]* Date: 5-12-91
 Agency: _____

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

Analysis:

"An act relating to credits against certain payments due the state, earned by drilling stratigraphic test wells on unleased land; and providing for an effective date."

This bill would give exploratory incentive credits, in the form of reductions in existing royalty or tax obligations to the state, for drilling stratigraphic test wells (or conducting other similar testing) on unleased state acreage. Under the Alaska Statehood Act the state must complete its land selections by January 1994. This bill provides drilling incentives so that the state would have more information on resource potential for making its selections. Stratigraphic test wells are drilled off structure and are explicitly designed not to find oil, but to gather geological information on the area. Usually companies pool funds to make such tests.

The credit would only be available for work done between July 1, 1991, and March 1, 1993. There is a \$20 million cap on total credits that can be granted for all work. Credits cannot exceed 50 percent of the cost of the work, and a credit cannot exceed 50 percent of the payment toward which it is being applied.

It is possible that the entire \$20 million ceiling would not be reached and the direct cost to the state would be less. The bill is targeted toward interior basins whose resource potential is poor to moderate. Therefore the expected return from testing may still not be sufficient to justify testing, even with the credit. No such tests have been performed without the credit over the last several years. The estimated cost of a stratigraphic test well is approximately \$8 million. Therefore it would take five such wells to obtain the \$20 million limit.

FISCAL NOTE

No. 4

STATE OF ALASKA
1992 LEGISLATIVE SESSION

Bill Version: CSSA 302(O+G)

(S) Publish Date: 4-15-92

Revision Date: April 15, 1992

Department Affected: Revenue

Title: Relating to exploration incentive credits...

BRU: Revenue Operations

Component: Oil & Gas Audit

Sponsor: Sen Rules by Request of Governor

Component Serial No.

Requestor: Sen O&G

0	1	1	5
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
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REVENUE FUND SOURCE	(\$0 - \$50mm)	(\$0 - \$50mm)	(\$0 - \$50mm)	(\$0 - \$50mm)	(\$0 - \$50mm)	(\$0 - \$50mm)

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: 0

ANALYSIS:

Prepared by: Rod Mourant

Phone: 465-2300

Division: Commissioner's Office

Date: 4/15/92

Approved by Commissioner: [Signature]

DARRYL S. REYNOLDS

Agency: Revenue

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

STATE OF ALASKA

DEPT. OF NATURAL RESOURCES

DIVISION OF OIL AND GAS

cc: CW → Bill
WALTER J. HICKEL, GOVERNOR

P.O. BOX 107034
ANCHORAGE, ALASKA 99510-7034
PHONE: (907) 762-2553

(907)762-2547

July 3, 1991

The Honorable Mike Navarre
Alaska State Legislature
P. O. Box 169
Kenai, Alaska 99611

COMMISSIONER'S OFFICE
JUNEAU

JUL 08 1991

DEPARTMENT OF
NATURAL RESOURCES

Dear Representative Navarre:

Thank you for inquiring about the proposed legislation (HB 339/SB 302) ^{File} which would enable the State to apply Exploration Incentive Credits to stratigraphic test wells. I have tried to address each question you have asked as fully as possible. However, should you have any other concerns, don't hesitate to ask.

1. The purpose of the proposed stratigraphic test well(s), possibly with accompanying seismic, is to give the state subsurface information important for evaluating the hydrocarbon potential of one or more interior sedimentary basins. Very little is known about the subsurface geology of the state's interior basins. As the state moves forward with its final selection of BLM lands for conveyance, stratigraphic tests in these basins will provide important information as to their resource potential. One company has suggested a well that would be drilled to approximately 6500 feet using a slim-hole core rig. EICs for such a well would total about \$4 million.
2. Stratigraphic tests are regularly performed by industry, with all the OCS basins in Alaska being drilled one or more times before actual leasing. The only stratigraphic test to have been drilled on state land was the Reindeer Island well drilled prior to the joint Federal-State Lease Sale in 1979. In this particular case, the offshore leasing benefitted more from the information this well generated. In any case, the well provided important subsurface information used to evaluate surrounding state and federal acreage.
3. Currently no specific well locations have been proposed by industry, although the Department of Natural Resources is encouraging activity in the interior basins.
4. The attached table listing the EICs paid to date lists only exploratory wells. To date, EICs have not been paid for geophysical work. As of the moment only one company, MAXUS, is getting any money from the state for old EICs. Most of its credits were assigned. MAXUS gets about \$19 thousand per month for its outstanding EICs credited towards rents. MAXUS has no royalties or taxes to pay.

As to direct benefits to the state in the form of new or enhanced production, there are none to date. However, an oil discovery in the Colville Delta area was the result of an EIC well followed by three additional EIC wells in the area. No development plans have been announced to date. Indirect benefits include increased bonus bids on EIC tracts and

July 3, 1991

information obtained from drilling these wells. Theoretically, the companies are adjusting their bonus bid for leases where EICs apply for an amount that would approximate the real value of the EIC.

The state is sharing in the geological risk of a dry hole, however, and has to pay for it. Without the EIC, the risks are shared disproportionately. Furthermore, since the intention of the EIC is to encourage exploration in areas that are not very prospective (areas with a high dry hole risk), it should not be too surprising that many of the EIC wells drilled have not led to immediate development. In the areas where EIC wells have been drilled, the information from these wells has been used by the state to evaluate the surrounding lands.


5. Exploration and development costs in Alaska are among the highest in the world. The EIC program is intended to mitigate these costs and to provide a mechanism whereby the risks of prospecting here are shared between the lessee and the state. Industry has drilled 10 wells under the program that might not have been drilled (or would not have been drilled at the time) without EICs. Information from these wells may have devalued some property, but even bad news has value.

6. The Federal government does not have an EIC program.

7. The ability of one firm to assign its EICs to another is an extremely important aspect of the program. An EIC is devalued (and, hence, the price initially received for it by the state in the form of a higher bonus bid) if it can be sold to only one customer, i.e., the state. By allowing firms to sell their EICs through assignments, a recipient can expect to receive full value for the EIC, appropriately discounted to reflect the time value of money and any transaction costs. By allowing firms to assign EICs, companies that don't currently own any producing state oil leases still benefit, and benefit in a timely way. Any restrictions placed on the assignment of EICs will reduce their value by reducing their liquidity. The state would ultimately receive less in bonus bids for EIC leases and the incentive to explore would be reduced.

I hope this helps. As you can see, benefits from a program such as the EIC are difficult to express in dollars, and the real benefits may be yet to come. If you have any further questions, we will be happy to meet with you.

Sincerely,


James Eason
Director

Attachment

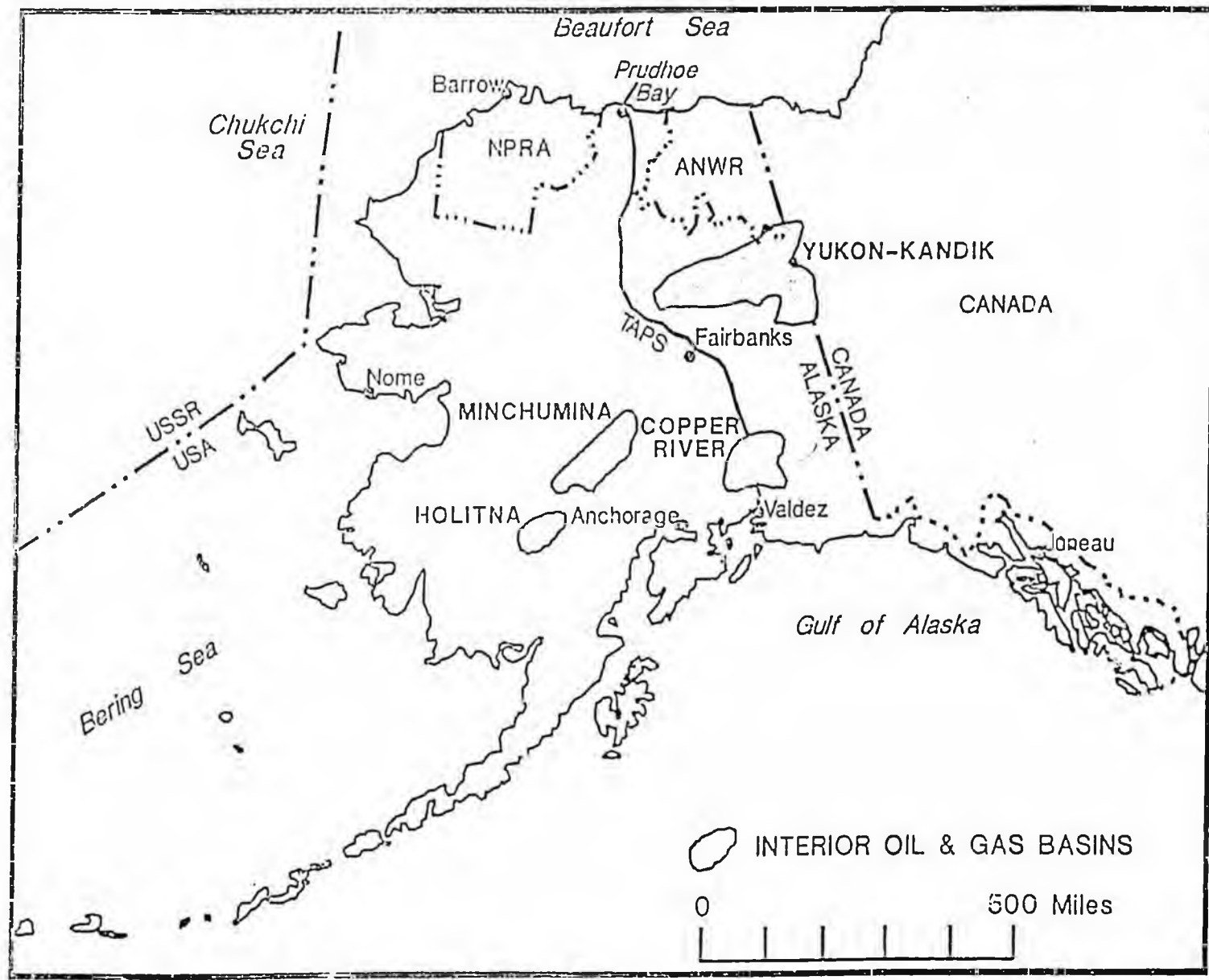
cc: Harold C. Heinze, Commissioner, DNR

EXPLORATION INCENTIVE CREDITS
Report Month: November 1990

ADL	WELL	COMPANY	CERTIFICATION DATE	TOTAL AMOUNT
343109	G-2 Well	Exxon	10/05/83	56,197,625.00
		Standard Alaska	12/27/83	4,152,408.75
		BP&E	10/05/83	2,045,216.25
344010	Leffingwell	Arco	10/02/84	3,706,000.00
		Union	10/02/84	3,706,000.00
344033	J-1 Well	Exxon	10/31/84	5,119,500.00
355005	Long Island Well	Exxon	11/14/84	1,378,076.00
		Standard Alaska	11/14/84	1,378,076.00
245126	Totek Hills	Arco Alaska	08/02/85	715,530.81
355037	Colville Delta #1	Texaco	07/09/86	637,500.00
		Amerada Hess	07/09/86	888,594.00
		Diamond Shamrock (A)	07/09/86	100,128.00
		Mobil	02/05/87	432,511.00
		Placid Oil (C)	07/09/86	314,679.00
		Union Texas (B)	07/09/86	475,631.00
		Rosewood Resources	07/09/86	12,662.00
		Hunt Pet Co.	07/09/86	11,213.00
364478	Colville Delta Area AHC 25-13-6 #1 Well	Amerada Hess	10/12/87	677,853.00
		Union Texas (G)	10/12/87	508,390.00
		Texaco	10/12/87	225,951.00
		Maxus Expl. (G)	10/12/87	146,757.41
		Placid Oil	10/12/87	129,115.00
		Rosewood Res.	10/12/87	21,360.00
		Hunt Pet Co. (G)	10/12/87	18,987.00
Texaco (E)	02/01/88	79,193.59		
355038	Colville Delta #2	Amerada Hess	10/28/87	757,731.46
		Union Texas (G)	10/28/87	205,106.95
		Texaco	10/28/87	273,475.93
		Maxus Expl. (F)	10/28/87	273,475.93
		Placid Oil (H)	10/28/87	423,982.26
		Rosewood Res. (D)	10/28/87	77,561.49
		Hut Pet Co. (G)	10/28/87	68,943.50
355039	Colville Delta #3	Amerada Hess	10/28/87	364,048.13
		Union Texas (G)	10/28/87	91,012.03
		Texaco	10/28/87	364,048.13
		Maxus Expl. (G)	10/28/87	364,048.13
		Placid Oil (H)	10/28/87	178,918.37
		Rosewood Res. (D)	10/28/87	34,416.31
344176	Gyr #1	Arco Alaska, Inc.	11/15/90	719,560.56
		Conoco	11/15/90	761,481.20
		Amerada Hess	11/15/90	761,481.20
GRAND TOTAL				538,828,841.67

- (A) Assigned \$432,511 of EIC to Mobil Oil Corp. effective 02/05/87
 (B) Assigned entire EIC to BP Alaska effective 02/03/87
 (C) Assigned entire EIC to Texaco Inc. effective 03/31/87
 (D) Assigned entire EIC to Texaco Producing Inc. effective 01/01/88
 (E) Assigned \$79,193.59 of EIC to Texaco Producing Inc. effective 02/01/88
 (F) Assigned entire EIC to Texaco Producing Inc. effective 02/01/88
 (G) Assigned entire EIC to Texaco Producing Inc. effective 05/17/88
 (H) Assigned entire EIC to Standard Alaska effective 05/17/88

Source: Alaska Department of Natural Resources, Division of Oil and Gas



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.

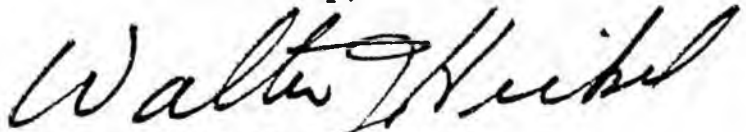
The bill requires the driller to provide the state with well data before a credit is approved. This assures that no credit will be granted unless the state receives, in exchange for the credit, information bearing on the selection of land under the Alaska Statehood Act.

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.

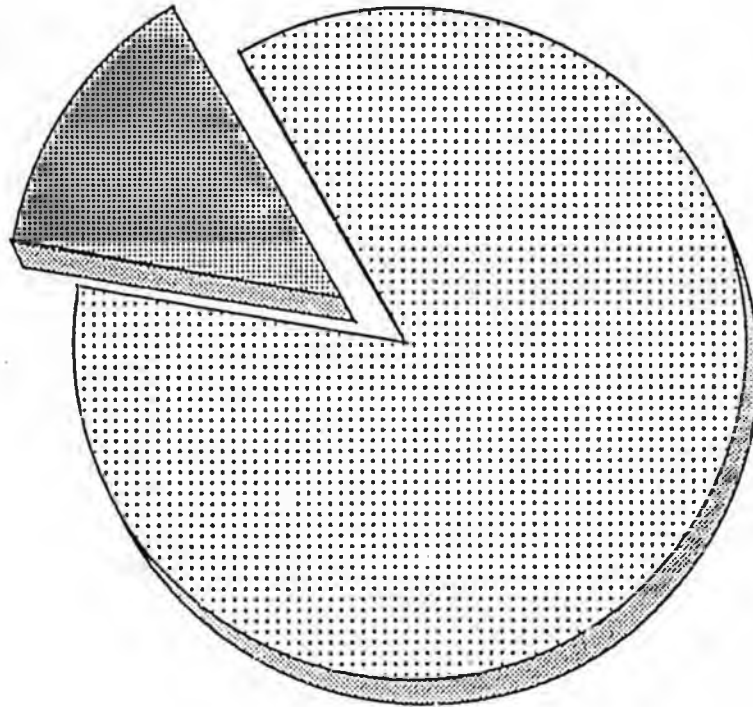
Sincerely,

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

Walter J. Hickel
Governor

Where Our Money Comes From

Non-Petroleum
(14%)



Petroleum
(86%)

Major Sources of Income (In 1991):

BONUS:	\$38.3 Million
RENTS:	\$21.3 Million
ROYALTIES:	\$1.26 Billion
TAXES:	\$1.28 Billion

EIC SALES

Sale 43/43A Beaufort Sea/Colville River Delta/Prudhoe Bay Uplands May 22, 1984

Tracts

EIC

43A-70 - 78
43A-79 - 84

\$ 1,200/ft drilled to 30% of well costs, 1st well/tract, 10 yr limit
\$375/ft drilled to 30% of well costs, 1st well/tract, 10 yr limit

Sale 65 Beaufort Sea June 4, 1991
All tracts \$1,000/ft drilled up to 15% of well costs, 1st well/tract, 5yr limit

Sale 67A Cook Inlet Exempt January 29, 1991
All tracts \$200/ft drilled to 20% of well costs, 1 well /tract, 3 yr limit

Sale 70A Kuparuk Uplands Exempt January 29, 1991
All tracts \$300/ft drilled to 20% of well costs, 1 well /tract, 5 yr limit

Sale 74 Cook Inlet September 24, 1991
All tracts \$200/ft drilled to 20% of well costs, 1 well /tract, 3 yr limit

EXPLORATION INCENTIVE CREDITS
Report Month: February 1992

ADI	WELL	COMPANY	CERTIFICATION DATE	TOTAL AMOUNT
343109	G-2 Well	Exxon	10/05/83	\$6,197,625.00
		Standard Alaska	12/27/83	4,152,408.75
		BP&E	10/05/83	2,045,216.25
344010	Leffingwell	Arco	10/02/84	3,706,000.00
		Union	10/02/84	3,706,000.00
344033	J-1 Well	Exxon	10/31/84	5,119,500.00
355005	Long Island Well	Exxon	11/14/84	1,378,076.00
		Standard Alaska	11/14/84	1,378,076.00
245126	Totek Hills	Arco Alaska	08/02/85	715,530.81
355037	Colville Delta #1	Texaco	07/09/86	637,500.00
		Amerada Hess	07/09/86	888,594.00
		Diamond Shamrock (A)	07/09/86	100,128.00
		Mobil	02/05/87	432,511.00
		Placid Oil (C)	07/09/86	314,679.00
		Union Texas (B)	07/09/86	475,631.00
		Rosewood Resources	07/09/86	12,662.00
		Hunt Pet Co.	07/09/86	11,213.00
364478	Colville Delta Area AHC 25-13-6 #1 Well	Amerada Hess	10/12/87	677,853.00
		Union Texas (G)	10/12/87	508,390.00
		Texaco	10/12/87	225,951.00
		Maxus Expl. (G)	10/12/87	146,757.41
		Placid Oil	10/12/87	129,115.00
		Rosewood Res.	10/12/87	21,360.00
		Hunt Pet Co. (G)	10/12/87	18,987.00
		Texaco (E)	02/01/88	79,193.59
355038	Colville Delta #2	Amerada Hess	10/28/87	757,731.46
		Union Texas (G)	10/28/87	205,106.95
		Texaco	10/28/87	273,475.93
		Maxus Expl. (F)	10/28/87	273,475.93
		Placid Oil (H)	10/28/87	423,982.26
		Rosewood Res. (D)	10/28/87	77,561.49
		Hunt Pet Co. (G)	10/28/87	68,943.50
355039	Colville Delta #3	Amerada Hess	10/28/87	364,048.13
		Union Texas (G)	10/28/87	91,012.03
		Texaco	10/28/87	364,048.13
		Maxus Expl. (G)	10/28/87	364,048.13
		Placid Oil (H)	10/28/87	178,918.37
		Rosewood Res. (D)	10/28/87	34,416.31
		Hunt Pet Co. (G)	10/28/87	30,592.28
344176	Gyr #1	Arco Alaska, Inc.	11/ /90	719,560.56
		Conoco	11/ /90	761,481.20
		Amerada Hess	11/ /90	761,481.20
		Arco Alaska, Inc.	01/92	16,151.00
		Conoco	01/92	9,479.94
		Amerada Hess	01/92	9,479.93
GRAND TOTAL				\$38,863,952.54

- (A) Assigned \$432,511 of EIC to Mobil Oil Corp. effective 02/05/87
 (B) Assigned entire EIC to BP Alaska effective 02/03/87
 (C) Assigned entire EIC to Texaco Inc. effective 03/31/87
 (D) Assigned entire EIC to Texaco Producing Inc. effective 01/01/88
 (E) Assigned \$79,193.59 of EIC to Texaco Producing Inc. effective 02/01/88
 (F) Assigned entire EIC to Texaco Producing Inc. effective 02/01/88
 (G) Assigned entire EIC to Texaco Producing Inc. effective 05/17/88
 (H) Assigned entire EIC to Standard Alaska effective 05/17/88

Source: Alaska Department of Natural Resources, Division of Oil and Gas

