

**HB**

**307**

SFIN

FILE

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/15/02

REPORTED OUT  
APR 24 2002  
SENATE FINANCE  
COMMITTEE

FURTHER:  
DATE TURNED  
IN TO OFFICE: 04/24/02

Finance Committee considered **HOUSE BILL NO. 307**  
*HB 307 OIL/GAS EXPLORATION INCENTIVE CREDIT*

"An Act delaying to June 30, 2007, the last date by which hydrocarbon exploration geophysical work must be performed or drilling of a stratigraphic test well or exploratory well must be completed in order for a person to qualify for an exploration incentive credit."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**Senate Bill:**

- same title
- new title

**House Bill:**

- same title
- technical title
- new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
Revenue	1/30/02		✓	2
DNR	1/30/02		✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Linda Green</i>	✓			
<i>Mike Austin</i>			✓	
<i>Tommy Hoffman</i>			✓	
<i>Bill ...</i>			✓	
<i>Tommy ...</i>	✓			
<i>...</i>	✓			
<i>...</i>	✓			
COCHAIR: <i>...</i>			✓	
COCHAIR: <i>...</i>	✓			

# FISCAL NOTE

APR 24 2002

**STATE OF ALASKA  
2002 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: HB 307  
 (H) Publish Date: 2/1/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Natural Resources  
 Title: Oil/Gas Exploration Incentive Credit BRU: Oil and Gas Developmen  
 Component: Oil and Gas Developmen  
 Sponsor: Rep. Fale  
 Requester: (H) Oil and Gas Component Number: 439

**Expenditures/Revenues (Thousands of Dollars)**

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CAPITAL EXPENDITURES</b>						
<b>CHANGE IN REVENUES ( )</b>		0 to -30 mil	0 to -30 mil	0 to -30 mil	0 to -30 mil	0 to -30 mil

**FUND SOURCE (Thousands of Dollars)**

FUND SOURCE	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: none  
 Check this box (X) if funding for this bill is included in the Governor's FY2003 budget proposal:

**POSITIONS**

POSITIONS	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Full-time						
Part-time						
Temporary						

**ANALYSIS:** *(Attach a separate page if necessary)*  
 This bill extends the deadline for completion of activity qualifying for exploration incentive credits under AS 41.09.010 until July 1, 2007. The credits may be applied against royalties, rentals, taxes, and bonus bids. These credits may also be assigned to other companies so that they may be applied to their royalties, rentals, taxes, and bonus bids. However, under AS 41.09.010(f), a credit may not exceed \$5 million per eligible project and the entire program may not exceed \$30 million. Within one basin a single exploration program could cost as much as \$30 million.

Prepared by: Mark D. Myers, Director Phone: 269-8800  
 Division: Oil and Gas Date/Time: 30-Jan-02  
 Approved by: Pat Pourchot Date: 30-Jan-02  
 Agency: Natural Resources

ANALYSIS: (continued) HB 307 FN#1

The DNR Commissioner has discretion whether to grant EICs. If he does decide to grant EICs, he may grant anywhere between 10 percent and 50 percent on state land and between 10 percent and 25 percent on non-state lands.

\*If the program is fully utilized, the state could grant as much as \$30 million in credits that would normally be deposited in the general fund.

# FISCAL NOTE

STATE OF ALASKA  
 2002 LEGISLATIVE SESSION APR 24 2002

Fiscal Note Number: 2  
 Bill Version: HB 307  
 (H) Publish Date: 2/1/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title Oil / Gas Exploration BRU Revenue Operations  
Incentive Credit Component Tax Division  
 Sponsor Representative Fate  
 Requester House Committee on Oil and Gas Component No. 2476

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	See Analysis-----
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

The exploration incentive credit in statute is designed to accelerate the exploration of state oil and gas leases and to acquire geological and geophysical information on state, federal and private land. This credit is approved at the discretion of the Commissioner of Natural Resources. The credit is transferable, so that it would have value to entities that do not have current royalty obligations or tax liabilities as well as to those that do.

This bill would delay the sunset provision in the current law from an expiration date of June 30, 2004 to June 30, 2007. No exploration credits have been applied against corporate income tax (AS 43.20) or royalties under the current law. The maximum amount of credits that can be taken is \$30 million. The revenue effect of this bill would therefore be between \$0 and \$30 million.

Prepared by: Chuck Logsdon, Petroleum Economist Phone 269-1019  
 Division Tax Division Date/Time 1/30/02 3:25 PM  
 Approved by: Larry Persily, Deputy Commissioner Date 01/30/2002  
 Agency Department of Revenue

REPRESENTATIVE  
HUGH "BUD" FATE

Mailing Address:  
119 N. Cushman Suite 101  
Fairbanks, AK 99701  
(907)488-0862  
Fax: 488-4271

## Alaska State Legislature



House Of Representatives

# SPONSOR STATEMENT

HB 307

## OIL/GAS EXPLORATION INCENTIVE CREDIT

House Bill 307 will extend the exploration incentive credit for petroleum for an additional three (3) years. This will allow for further exploration into the possibility of natural gas and oil in the Tanana River Drainage Basin.

There is presently renewed interest in exploring for natural gas in the above described basin near Nenana. This simply extends its sunset provision from 2004 to 2007.

While in session:

State Capitol  
Juneau, Alaska  
99801-1182  
(907)465-4976  
Fax: (907)465-3883

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House District 33

# SENATE COMMITTEE REPORT

DATE: 3/27/02

FURTHER: Finance

DATE TURNED IN TO OFFICE: 4/15/02

Judiciary Committee considered HOUSE BILL NO. 307

*HB 307 OIL/GAS EXPLORATION INCENTIVE CREDIT*

"An Act delaying to June 30, 2007, the last date by which hydrocarbon exploration geophysical work must be performed or drilling of a stratigraphic test well or exploratory well must be completed in order for a person to qualify for an exploration incentive credit."

and recommends:

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- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
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**Senate Bill:**

- same title
- new title

**House Bill:**

- same title
- technical title
- new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
<i>NR</i>	<i>1/24/02</i>	<del>***</del>	-	<i>1</i>
<i>DOR</i>	<i>1/30/02</i>	<del>***</del>	-	<i>2</i>

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>John J. Cuddy</i>	<input checked="" type="checkbox"/>			
<i>Sam Hornsby</i>	<input checked="" type="checkbox"/>			
CHAIR: <i>Missi Taylor</i>	<input checked="" type="checkbox"/>			

# SENATE COMMITTEE REPORT

DATE: 2/22/02

FURTHER: Judiciary  
Finance

DATE TURNED IN TO OFFICE: 3/25/02

Resources Committee considered HOUSE BILL NO. 307

*HB 307 OIL/GAS EXPLORATION INCENTIVE CREDIT*

"An Act delaying to June 30, 2007, the last date by which hydrocarbon exploration geophysical work must be performed or drilling of a stratigraphic test well or exploratory well must be completed in order for a person to qualify for an exploration incentive credit."

and recommends:

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- new title

**House Bill:**

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- new: SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	FN#
DNR	1/30/02	<del>XXX</del>		1
Revenue	1/30/02	<del>XXX</del>		2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	NO REC	AMEND
<i>Arthur L. Taylor</i>	✓			
<i>Rich Halford</i>	✓			
<i>Ben Stumb</i>				
<i>[Signature]</i>			✓	
<b>CHAIR:</b> <i>[Signature]</i>	✓			

SITE: ANCHORAGE LIO

COMMITTEE: SFIN

DATE: 4-24-02

SUBJECT OF MEETING:

HB 307

UPDATE #:



P R I N T YOUR NAME

ADDRESS (MAILING & ZIP)

REPRESENTING

DO YOU WANT  
TO TESTIFY?  
Y or N

<u>Mark</u> <b>Mary Meyer</b>		DNR	Ans ?s
Email address:			HB 307
Email address:			
Email address:			
Email address:			
Email address:			
Email address:			