

SCOMM

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<u>CURRENT INCENTIVES</u>	<u>CONVENTIONAL LEASES</u>	<u>UNLEASED STATE LAND</u>	<u>LICENSED LAND</u>	<u>SNG LEASES</u>	<u>FEDERAL & PRIVATE LAND</u>
Exploration Incentive Credits (EIC) AS38.05.180(l) -- no sunset	up to 50% of drilling costs	up to 50% of seismic costs	N/A	up to 50% of drilling costs	N/A
AS41.09.010 -- expires 7-1-2004	N/A	up to 50% of drilling & seismic costs	up to 50% of drilling & seismic costs	N/A	up to 25% of drilling & seismic costs
Royalty Reduction AS38.05.180(j) expires 7-1-2015	as low as 5% if not yet in production as low as 3% if producing or shut-in	No* No*	(Applies after conversion to Lease) (Applies after conversion to lease)	as low as 5% if not yet in production as low as 3% if producing or shut-in	N/A N/A
Discovery Royalty For Cook Inlet only AS38.05.180(f)(4) no sunset	5% royalty for 10 yrs	No*	(In limited area after conversion: T18N)	(Applies to limited area: T18N)	N/A
For the following fields only: AS38.05.180(f)(5) Falls Creek, Nicolai Creek, North Fork, Point Starichkof, Redoubt Shoals, & West Foreland expires 1-1-2004	5% on 1st 25 MM bbls for 10 yrs 5% on 1st 35 BCF for 10 yrs	N/A N/A	N/A N/A	N/A N/A	N/A N/A
Pre-1969 leases only, statewide	5% royalty for 10 yrs	N/A	N/A	N/A	N/A
ELF (Economic Limit Factor) -- AS43.55.013	Yes	No*	(Applies after conversion to Lease)	Yes	Yes
Contract Gas Price With a Utility vs Royalty Value AS38.05.180(aa)	Value of state's royalty share equals gas contract price	No*	(Applies after conversion to Lease)	Value of state's royalty share equals gas contract price	Value of state's royalty share equals gas contract price
INCENTIVES AS PART OF A PROGRAM					
Exploration Licensing AS38.05.132	N/A	N/A	Up to 500,000 acres per license No bonus bids One-time \$1/acre license fee No annual rentals	N/A	N/A
Shallow Gas Leasing AS38.05.177	N/A	N/A	N/A	\$500 application fee \$.50/acre annual rental 6.25% royalty	N/A
PROPOSED CHANGES TO INCENTIVES					
HB307 -- Extending Expiration Date for EICs Under AS41.09.010 to 7-1-2007	N/A	Yes	Yes	N/A	Yes
HB308 -- Extending Discovery Royalty under AS38.05.180(f)(4) to Tanana River basin	Yes	No*	(Applies after conversion to lease)	Yes	N/A
HB220 -- Corporate Income Tax Credit Incentive Under AS43.20. expires 1-1-2012	Credit = 10% of Capinvest. & 100% of cost incurred (labor, seismic & assoc. services), up to 50% of annual tax liability for expl. & develop. of less than 150 bbls/day or unlimited amt. of gas.	Credit = 10% of Capinvest. & 100% of cost incurred (labor, seismic & assoc. services), up to 50% of annual tax liability for expl. & develop. of less than 150 bbls/day or unlimited amt. of gas.	Credit = 10% of Capinvest. & 100% of cost incurred (labor, seismic & assoc. services), up to 50% of annual tax liability for expl. & develop. of less than 150 bbls/day or unlimited amt. of gas.	Credit = 10% of Capinvest. & 100% of cost incurred (labor, seismic & assoc. services), up to 50% of annual tax liability for expl. & develop. of unlimited amt. of gas.	Credit = 10% of Capinvest. & 100% of cost incurred (labor, seismic & assoc. services), up to 50% of annual tax liability for expl. & develop. of less than 150 bbls/day or unlimited amt. of gas.
HB394 -- Royalty Reduction under AS38.05.180(j): Removes sunset provision	Reduces royalty floor from 5% to 3.125% and from 3% to 1.25%	No*	(Applies after conversion to Lease)	Reduces royalty floor from 5% to 3.125% and from 3% to 1.25%	N/A
NOTE: No* -- means Not In Production; This chart does not reflect all tax incentive programs or proposed changes to incentives -- Consult DOR for additional information.					

EXPLORATION INCENTIVE CREDITS

AS 38.05.180(i)

Report Month: October 2001

ADL	WELL	COMPANY	CERTIFICATION DATE	TOTAL AMOUNT
343109	G-2 Well	Exxon Company USA	10/05/83	\$6,197,625.00
		Sohio Alaska Petro.	12/7/83	4,152,408.75
		BP Alaska Exploration	10/05/83	2,045,216.25
344010	Leffingwell	ARCO Alaska Inc.	10/02/84	\$3,706,000.00
		Unocal	10/02/84	3,706,000.00
344033	J-1 Well	Exxon Company USA	10/31/84	\$5,119,500.00
355005	Long Island Well	Exxon Company USA	11/14/84	\$1,367,738.00
		Sohio Alaska Petroleum	11/14/84	1,378,076.00
345130	Totek Hills	ARCO Alaska Inc.	08/02/85	\$715,530.81
355037	Colville Delta #1	Texaco Inc.	07/09/86	\$952,179.00
		Amerada Hess	07/08/86	888,594.00
		Diamond Shamrock (Maxus)	07/08/86	100,128.00
		Rosewood Resources	07/08/86	12,662.00
		Hunt Petroleum Co.	07/08/86 (1)	8,866.36
		BP Alaska Exploration	02/31/87	475,631.00
		Mobil	02/05/87	432,511.00
364478 (2)	Colville Delta Area	Amerada Hess	10/12/87 (3)	\$140,071.13
	AHC 25-13-6 #1 Well	Texaco Inc.	10/12/87 (4)	771,743.46
		Maxus Exploration	10/12/87 (5)	100,297.41
		Rosewood Resources	10/12/87 (6)	4,111.82
355038 (2)	Colville Delta #2	Amerada Hess	10/28/87	\$757,731.46
		Texaco Inc.	10/28/87	898,563.40
		BP Alaska Exploration	10/28/88	423,982.26
355039 (2)	Colville Delta #3	Amerada Hess	10/28/87 (7)	\$ 0.00
		Texaco Inc.	10/28/87 (8)	0.00
		BP Alaska Exploration	10/28/87 (9)	63,228.39
		Union Texas Petroleum	10/28/87 (10)	14,097.50
344176	Gyr #1	ARCO Alaska, Inc.	11/15/90 (11)	\$699,302.43
		Amerada Hess	11/15/90 (11)	732,804.63
		Conoco	11/15/90 (12)	732,804.62
355021	NW Milne #1	Conoco	07/10/92 (13)	\$1,371,691.42
		Conoco	02/09/93	660,321.00
375044	Sequoia #1	Conoco	07/10/92 (13)	\$275,521.32
		Petrofina	07/10/92 (14)	227,594.08
		Conoco	02/09/93	16,333.56
		Petrofina	02/09/93	19,963.24

ADL	WELL	COMPANY	CERTIFICATION DATE	TOTAL AMOUNT
375076	Cirque #2	ARCO Alaska, Inc.	02/09/93 (15)	\$845,018.43
375108	Tarn #1	ARCO Alaska, Inc.	02/09/93 (16)	\$727,939.95
355036	Kalubik #1	ARCO Alaska, Inc.	02/09/93 (17)	\$2,599,602.13
		ARCO Alaska Inc. (UTP)	03/04/93	250,822.50
		ARCO Alaska Inc. (UTP)	04/22/93	11,779.91
372104	Fiord #1	ARCO Alaska Inc. (UTP)	02/09/93 (18)	\$1,811,218.84
		ARCO Alaska Inc.	03/04/93	191,018.62
372006	Tulaga #1	ARCO Alaska Inc.	03/25/93 (19)	\$1,241,177.00
355011	Jones Island #1	ARCO Alaska Inc.	07/12/93	\$2,160,000.00
		ARCO Alaska Inc. (UTP)	07/20/93 (20)	1,910,175.00
375133	Cascade Well #1	BP Exploration (AK) Inc	04/04/94 (21)	\$893,245.73
375061	Yukon Gold #1	BP Exploration (AK) Inc	08/08/94 (22)(23)	\$2,394,546.77
		Union Oil Co. of Cal (H)	08/23/94 (24)	487,240.46

TOTAL EICs GRANTED TO-DATE:

\$54,692,614.64

- (1) Hunt's EIC balance reduced through a commissioner's decision dated March 18, 1998. Hunt made a subsequent payment in April 1998.
- (2) Colville Delta wells were settled through the Colville Delta EIC settlement agreement dated 12/31/98.
- (3) Amerada Hess EIC balance reduced through an EIC settlement agreement and subsequent payment on 1/29/99.
- (4) Texaco's EIC balance reduced through an EIC settlement agreement and subsequent payment on 1/28/99.
- (5) Maxus' EIC balance reduced through an EIC settlement agreement and subsequent payment on 1/26/99.
- (6) Rosewood's EIC balance reduced through an EIC settlement agreement and subsequent payment on 1/7/99.
- (7) Amerada Hess EIC balance reduced through an EIC settlement agreement and subsequent payment on 1/29/99.
- (8) Texaco's EIC balance reduced through an EIC settlement agreement and subsequent payment on 1/28/99.
- (9) BP's EIC balance reduced through an EIC settlement agreement and subsequent payment on 12/31/98.
- (10) Union Texas' EIC balance reduced through an EIC settlement agreement and subsequent payment on 1/29/99.
- (11) ARCO and Amerada's EIC balances reduced through an EIC audit and subsequent payment in February 1997.
- (12) Conoco's EIC balance reduced through an EIC audit and subsequent payment in March 1997.
- (13) Conoco's EIC balance reduced through an EIC audit and subsequent payment in July 1997.
- (14) \$125,190.33 of EIC expired for Petrofina on March 31, 1996.
- (15) ARCO's EIC balance reduced through an EIC audit and subsequent payment in December 1997.
- (16) ARCO's EIC balance reduced through an EIC audit and subsequent payment in December 1997.
- (17) ARCO's EIC balance reduced through an EIC audit and subsequent payment in December 1997.
- (18) ARCO's EIC balance increased through an EIC audit and subsequent payment in December 1997.
- (19) Union Texas (ARCO) EIC balance reduced through an EIC audit and subsequent payment on 8/18/98.
- (20) Union Texas (ARCO) EIC balance reduced through an EIC audit and subsequent payment on 8/18/98.
- (21) BP's EIC balance reduced through an EIC audit and subsequent payment in December 1997.
- (22) BP's EIC balance reduced through an EIC audit and subsequent payment in December 1997.
- (23) BP's EIC balance reduced through an EIC audit and subsequent payment on 12/31/98.
- (24) Union's EIC balance reduced through an EIC audit and subsequent payment in July 1998.

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

Royalty Relief Program

- AS 38.05.180(j) [HB 207 1995]
- Allows commissioner to modify royalty to allow for production that would not otherwise be economically feasible, for fields:
 - (A) Not yet in production
 - (B) Producing; to prolong the economic life
 - (C) Shut-in; to reestablish production

(A) Fields Not Yet in Production

- Field or pool must be sufficiently delineated to conduct the analysis
- Field has not previously produced
- 5% royalty floor

(B) Producing Fields

- To prolong the economic life of an oil or gas field as costs per barrel increase
- 3% royalty floor

(C) Shut-in Fields

- To reestablish production of shut-in oil or gas
- 3% royalty floor

Royalty Relief for All Field Types

- Lessee's application must be clear and convincing that relief is in the best interest of the state
- Relief mechanism must adjust percentage based on price and may also adjust based on production.

Royalty Reduction Actions

- 1990 Conoco application for Milne Point
 - Application denied, BP purchased leases and they are in production
- 1997 Unocal application for 10 platforms in Cook Inlet
 - Unocal did not continue to pursue application
- 1999 Phillips application for Tyonek Deep in Cook Inlet
 - Phillips did not continue to pursue application

COOK INLET DISCOVERY ROYALTY

Repealed 1969, but retained in approximately 33 pre-1969 lease agreements

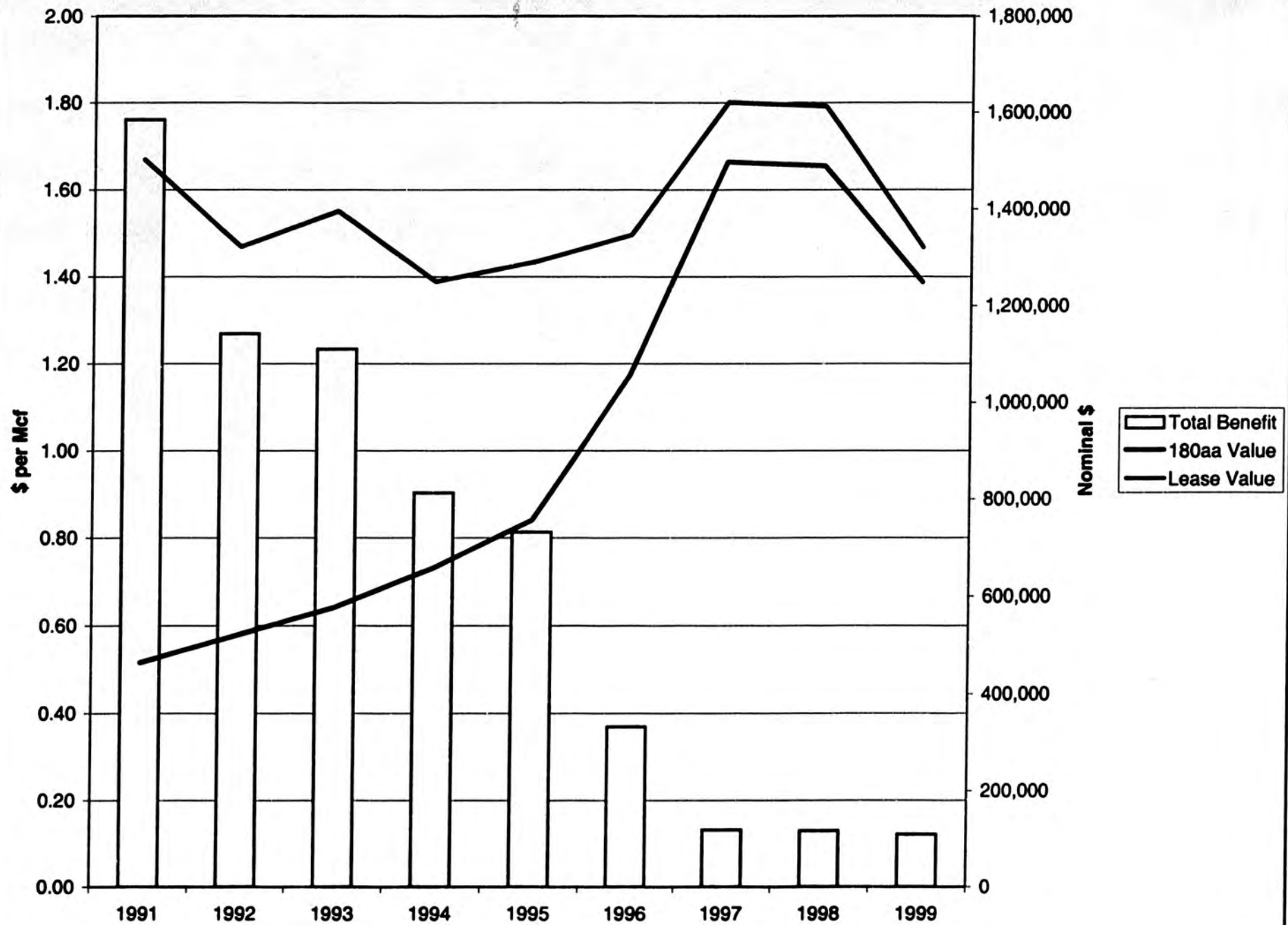
AREA	Applicant	Well Name	Well Number	Discovery Date	Effective Date	Production Date	Expiration Date	Months Actually Reduced	Status of Application	Lessee (Current)	Field Name	Fluid Type	Comments
CI	SOCAL	FALLS CK U (43-1)	1	4/10/1961	5/1/1961		4/30/1971		Granted	Chevron, ARCO	Falls Creek	Gas	Discovery royalty granted, but not used. Therefore no commencement date.
CI	PAN AM	MGS STATE 17595	1	6/10/1962	6/10/1962	5/1/1966	6/10/1972	73	Granted	AMOCO, Getty, Phillips	Middle Ground Shoal	Gas	SRS Group also sought discovery royalty for its MGS State #1 well. Pan American Petroleum prevailed.
CI	PAN AM	COOK INLET ST 17589	1A	8/21/1962	9/1/1962	3/1/1969	8/31/1972	42	Granted	Phillips	N Cook Inlet	Gas	SRS Group also sought discovery royalty for its North Cook Inlet #1 well. Pan American Petroleum prevailed.
CI	SOCAL	BELUGA RIV U 212-35	1	12/1/1962	1/1/1963	3/1/1968	1/1/1973	58	Granted	Chevron, ARCO, Shell	Beluga River	Gas	
CI	MOBIL	GRANITE POINT	1	5/16/1965	6/1/1965	5/1/1967	5/31/1975	93	Granted	Mobil, UNOCAL	Granite Point	Oil	
CI	UNOCAL	TRADING BAY	1A	6/17/1965	6/1/1965	1/1/1967	5/31/1975	97	Granted	UNOCAL, Marathon	Trading Bay	Oil	
CI	UNOCAL	GRAYLING	1A	9/29/1965	10/1/1965	10/1/1967	10/1/1975	93	Granted	UNOCAL, Marathon	McArthur River	Oil	Initially denied on 1/26/1966. Later granted & confirmed on 10/31/68.
CI	TEXACO	NICOLAI CREEK	1A	4/28/1966	5/1/1966	10/1/1968	4/30/1976	48	Granted	Texaco, Superior	Nicolai Creek	Gas	No production after 1972 (field shut-in).
CI	TEXACO	TRADING BAY STATE	1	n.a.	n.a.	n.a.	n.a.	n.a.	Denied	n.a.		Oil & Gas	
CI	SHELL	MGS STATE/SRS	1	n.a.	n.a.	n.a.	n.a.	n.a.	Denied	n.a.	Middle Ground Shoal	Gas	
CI	ARCO	WEST FORELAND	3	n.a.	n.a.	n.a.	n.a.	n.a.	Denied	n.a.	Foreland	Oil	Denial appealed, but upheld by commissioner on 10/31/68.
CI	PAN AM	REDOUBT SHOAL UNIT	2	n.a.	n.a.	n.a.	n.a.	n.a.	Denied	n.a.	Redoubt Shoal	Oil	Initial application denied sometime in 1969. Appeal dated 2/19/69 was also denied.
CI	ARCO	TRADING BAY STATE	1	n.a.	n.a.	n.a.	n.a.	n.a.	Denied	n.a.	Ivan Bering	Oil	Denial appealed by ARCO, but upheld by commissioner on 12/3/70.
CI	SHELL	SRS STATE	1	n.a.	n.a.	n.a.	n.a.	n.a.	Denied	n.a.			
CI	PAN AM	NORTH REDOUBT ST	1	n.a.	n.a.	n.a.	n.a.	n.a.	Incomplete	n.a.	McArthur River	Oil	No potential test was conducted. No discovery certification application filed.
CI	SHELL	FORELANDS CHANNEL	1	n.a.	n.a.	n.a.	n.a.	n.a.	Incomplete	n.a.			No potential test conducted. No discovery certification application filed.
CI	SHELL	NORTH COOK INLET	1	n.a.	n.a.	n.a.	n.a.	n.a.	Incomplete	n.a.	N Cook Inlet	Gas	Pan American Petroleum also sought discovery royalty for its Cook Inlet 17589 #1 well and prevailed.
CI	UNOCAL	KUSTATAN	1-A	n.a.	n.a.	n.a.	n.a.	n.a.	Withdrawn	n.a.			Application withdrawn in Dec. 1968 before any State action

NORTH SLOPE DISCOVERY ROYALTY

Repealed 1969, but retained in approximately 274 pre-1969 lease agreements

AREA	Applicant	Well Name	Well Number	Discovery Date	Effective Date	Production Date	Expiration Date	Months Actually Reduced	Status of Application	Lessee (Current)	Field Name	Fluid Type	Comments
NS	ARCO	PRUDHOE BAY STATE	1	12/19/1967	1/1/1968	6/20/1977	12/31/1979	6	Granted	ARCO, Exxon	Prudhoe Bay	Oil & Gas	Prudhoe Bay discovery well.
NS	ARCO-BP	UGNU	1	4/7/1969	5/1/1969		4/30/1979		Granted	ARCO, BP	Kuparuk River	Oil	Initially denied 10/1/70. Following appeal the court instituted retroactive discovery royalty reduction.
NS	BP	SAG DELTA 34633	4	2/14/1978	3/1/1978		2/29/1988		Granted	BP	Endicott	Oil	
NS	BP	NIAKUK	5	3/7/1985	4/1/1985		3/31/1995		Granted	BP	Niakuk	Oil	
NS	ARCO	PT MCINTYRE (P1-02)	3	3/22/1988	4/1/1988		3/31/1998		Granted	ARCO, Exxon	Pt. McIntyre	Oil	
NS	ARCO	BERGSCHRUND	1	3/27/1994	4/1/1994		3/31/2004		Granted	ARCO, Anadarko, UTP	Alpine	Oil	
NS	CONOCO	MILNE POINT UNIT	G-1	n.a.	n.a.	n.a.	n.a.	n.a.	Denied	BP, Oxy	Schrader Bluff	Oil	Denial appealed, but upheld by commissioner, DNR.
NS	PHILLIPS AK.	SAMBUCA	1	n.a.	n.a.	n.a.	n.a.	n.a.	Denied. Appeal Pending	Phillips, Exxon, Chevron	Midnight Sun	Oil	Denial appealed, but upheld by commissioner, DNR. Applicant now seeking trial.
NS	MOBIL	KUPARUK STATE	1	n.a.	n.a.	n.a.	n.a.	n.a.	Incomplete	n.a.	Prudhoe Bay(?)	Oil	Expired unused after 10 years.
NS	ARCO	N PRUDHOE BAY ST	1	n.a.	n.a.	n.a.	n.a.	n.a.	Incomplete	n.a.	N Prudhoe	Oil	Full application procedure never completed, expired after 10 years.
NS	BP	PUT RIVER (M-1)	01-11-12	n.a.	n.a.	n.a.	n.a.	n.a.	Incomplete	n.a.		Oil	Full application procedure never completed, expired after 10 years.
NS	CHEVRON	SIMPSON LAGOON	32-14A	n.a.	n.a.	n.a.	n.a.	n.a.	Incomplete	n.a.		Oil	Full application procedure never completed, expired after 10 years.
NS	CHEVRON	KAVEARAK POINT	32-25	n.a.	n.a.	n.a.	n.a.	n.a.	Incomplete	n.a.	Milne Point	Oil	Full application procedure never completed, expired after 10 years.
NS	HAMILTON BROTHERS	PT STORKERSEN	1	n.a.	n.a.	n.a.	n.a.	n.a.	Incomplete	n.a.	Pt. Storkersen	Oil	Full application procedure never completed, expired after 10 years.
NS	BP	NIAKUK	2A	n.a.	n.a.	n.a.	n.a.	n.a.	Incomplete	n.a.			Full application procedure never completed, expired after 10 years.
NS	BP	SAG DELTA 33-12-16	1	n.a.	n.a.	n.a.	n.a.	n.a.	Incomplete	n.a.	Lisburne	Oil	Full application procedure never completed, expired after 10 years.
NS	BP	SAG DELTA 35-12-16	3	n.a.	n.a.	n.a.	n.a.	n.a.	Withdrawn	n.a.	Endicott	Oil	Withdrawn to pursue Sag Delta #4 discovery royalty application for same field & lease. Sag Delta #4 granted.
NS	ARCO	WEST GOLDHILL (2F-20)	1	n.a.	n.a.	n.a.	n.a.	n.a.		n.a.	Goldhill	Oil	
NS	ARCO	WEST BEACH	5	n.a.	n.a.	n.a.	n.a.	n.a.		n.a.	Cabana	Oil & Gas	

Utility Contract Price of Gas under 180aa vs. Lease Terms



Exploration Licensing

LICENSES ISSUED

<u>Location</u>	<u>Date Issued</u>	<u>Acres</u>	<u>Work Commitment</u>	<u>Licensee</u>	<u>Term</u>
Copper River Basin	10/1/2000	318,756	\$1,420,000	Forest Oil Corp.	5 Yrs

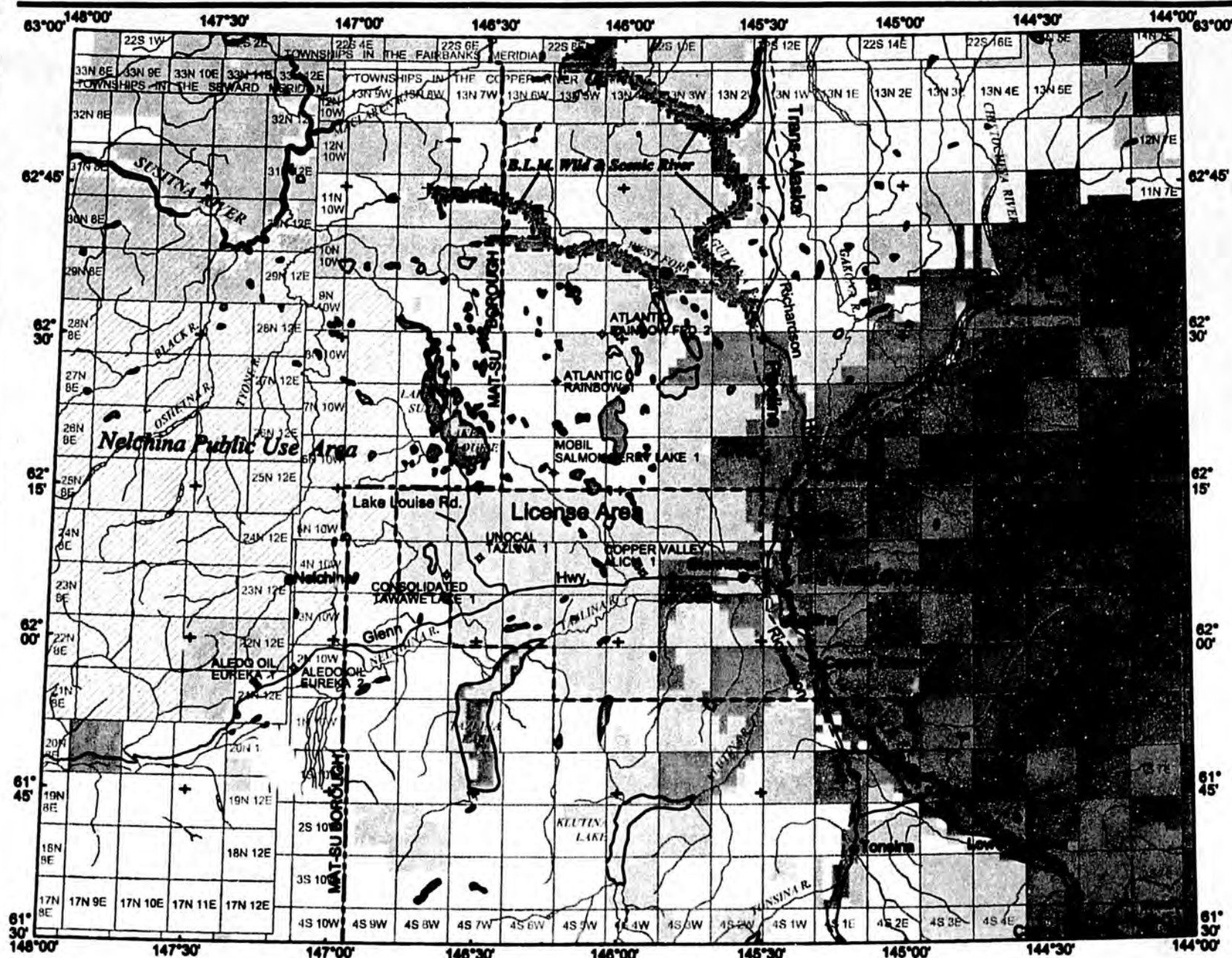
LICENSES PROPOSED

<u>Location</u>	<u>Date to be Issued</u>	<u>Acres</u>	<u>Proposed Work Commitment</u>	<u>Licensee</u>	<u>Term</u>
Susitna Basin Area 1	6/1/2002	399,360	\$2,520,000	Forest Oil Corp.	7 Yrs*
Susitna Basin Area 2	6/1/2002	474,420	\$3,000,000	Forest Oil Corp.	7 Yrs*
Nenana Basin	10/1/2002	499,840**	\$2,525,000	Andex Resources	TBD

* Licensee may request a 3-year extension beyond the initial 7-year term

** Estimated acreage; title work has not been completed

NOTE: Nenana basin preliminary finding and Susitna basin final finding are scheduled to be released this month (April)



Copper River Basin Exploration License: General Land Status

License Area = [Dashed Line]

B.L.M. Lands = [Stippled Area]

Exploration Well = ♦

Map Area

Federal Designated Area = [Hatched Area]

Native Corporation Lands = [Solid Black Area]
(ANCSA Pat. or Interim Conveyed)

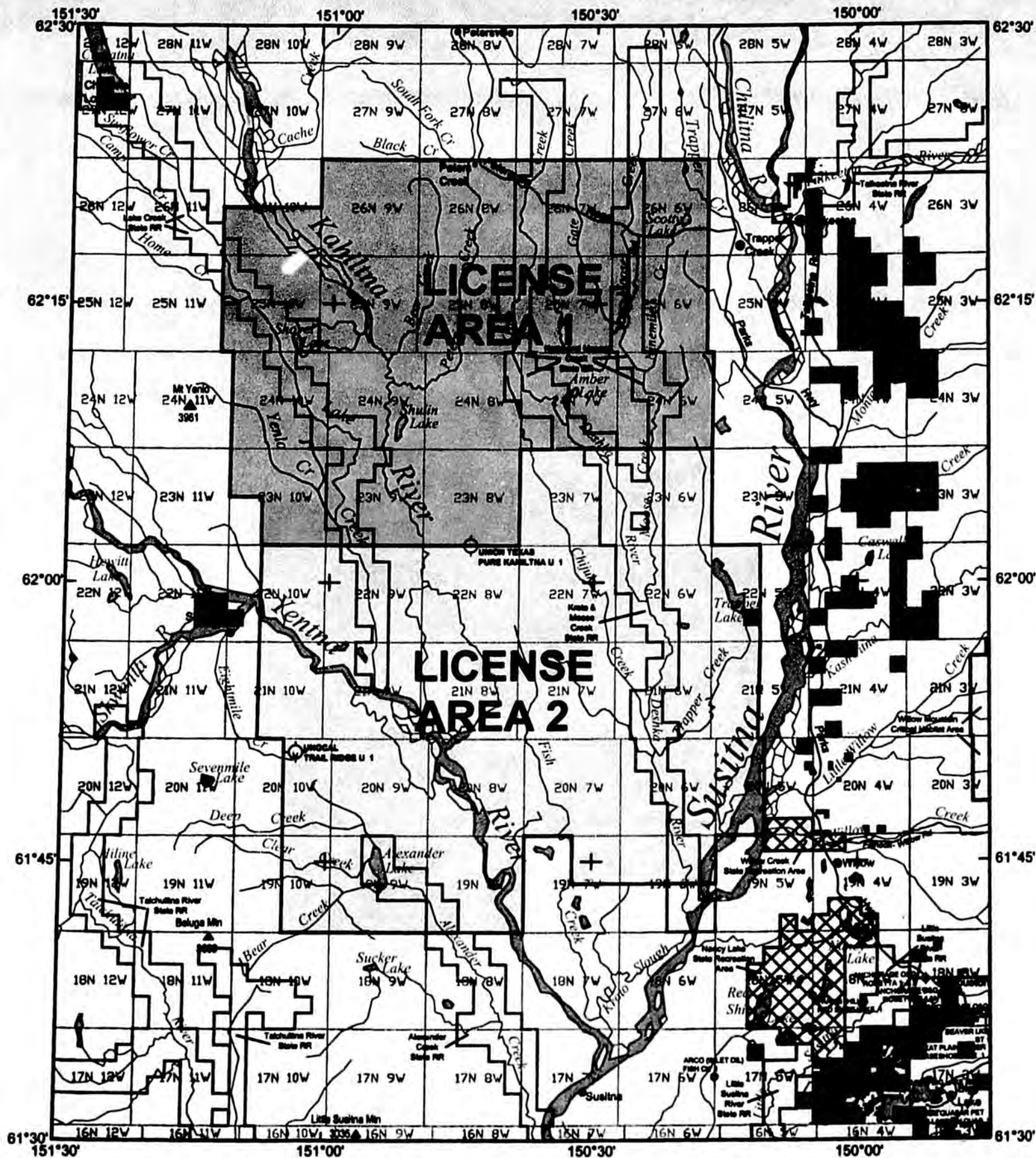
SCALE 1:250,000 One Inch = 4 Miles Approx.

Source: ADNR LRIS, AK Gen. Land Status, 2/00.

0 5 10 15 20 25 Miles

Albers Equal-Area Conic Projection, 1827 North American Datum, Clarke 1866 ellipsoid with a central meridian of 146°, origin latitude of 50°, northern parallel of 65°, and southern parallel of 55°.
Map created, edited, and published by the State of Alaska, Department of Natural Resources, Division of Oil and Gas.

ADNR, DO&G 6/00, Rev. 7/00



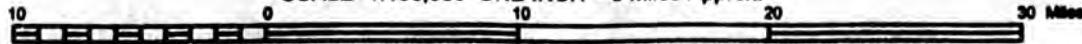
Susitna Basin Exploration License Areas

License Areas = 
State Critical Habitat = 

No Surface Entry = 
Mental Health = 

State Multiple Use, Parks = 
Native Lands = 

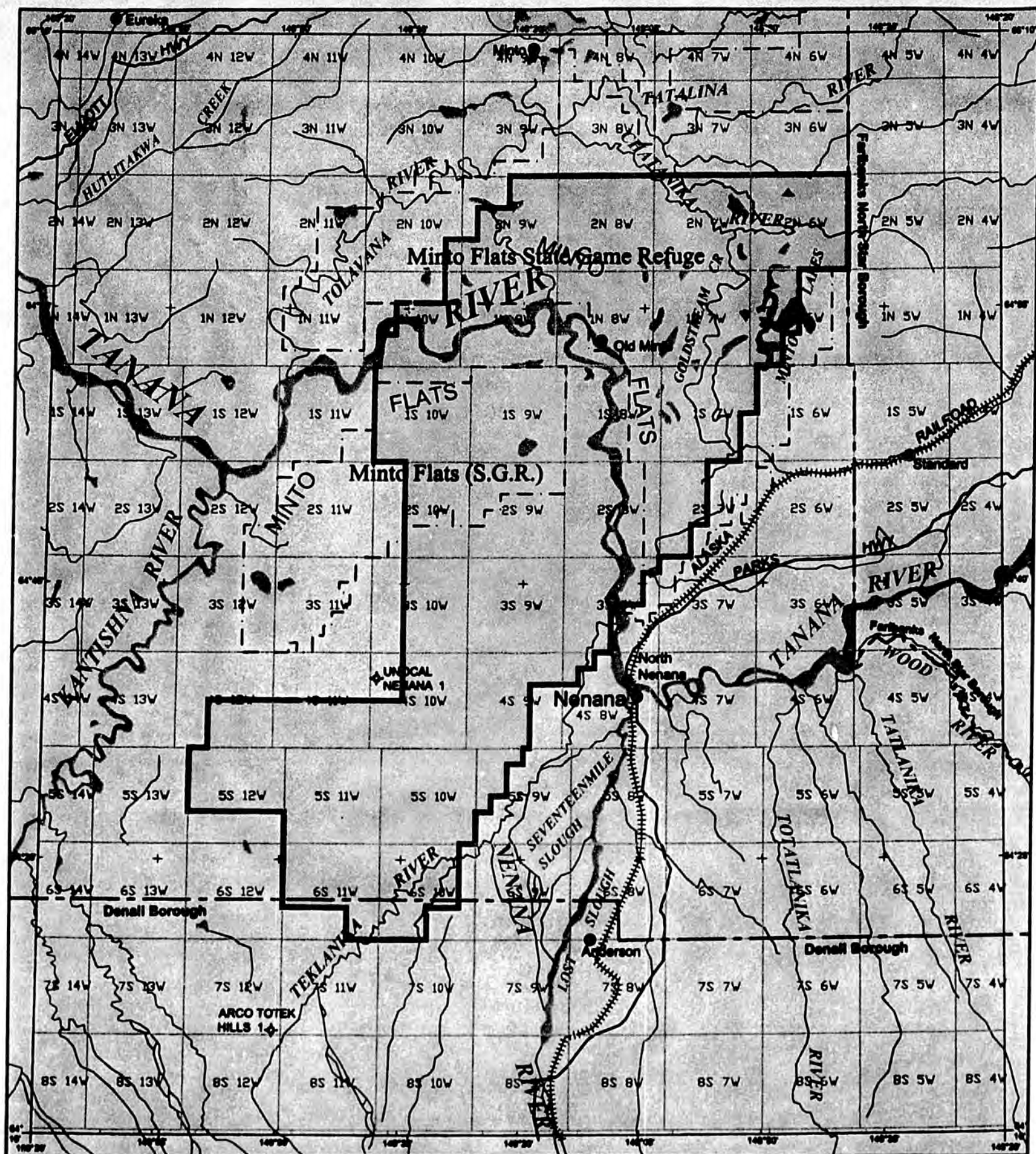
SCALE 1:190,000 ONE INCH = 3 Miles Approx.



Map created, edited, and published by the State of Alaska, Department of Natural Resources, Division of Oil and Gas.

Alaska Fossil Area Control Ordinance 1927 North American Datum (Clarke 1866 ellipsoid with a central meridian of 150° 37' 30" north latitude of 61° northern parallel of 66° and southern parallel of 66°)

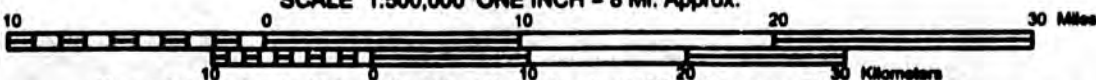




Proposed Nenana Basin Exploration License Area

Proposed License Area = [Shaded Area]

SCALE 1:500,000 ONE INCH = 8 Mi. Approx.



Map created, edited, and published by the State of Alaska, Department of Natural Resources, Division of Oil and Gas.

Albers Equal-Area Conic Projection, 1927 North American Datum, Clarke 1866 ellipsoid with a central meridian of 149° 20' 00", origin latitude of 50°, northern parallel of 66°, and southern parallel of 56°.

This is not an official tract map, but is for informational purposes only. DNR makes no claim as to its accuracy.

ADNR 4/02

Shallow Natural Gas Leasing

