

SCOMM

79:15

FISCAL NOTE

No. 1Bill Version: HB 339(H) Publish Date: 5/17/91STATE OF ALASKA
1991 LEGISLATIVE SESSIONRevision Date: _____ Department Affected: Revenue/Natural ResourcesTitle: "An Act related to credits against certain payments due the state, ..." BRU: Revenue Operations
Component: Oil & Gas AuditSponsor: Rules Committee by request of Governor

Requestor: _____ COMPONENT SERIAL NO.

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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
Division: Oil & Gas AuditPhone: 277-5627
Date: 5/10/91Approved by Commissioner: _____
Agency: _____Date: 5-13-91

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

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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.

COMMITTEE COPY

FISCAL NOTE

STATE OF ALASKA

1992 LEGISLATIVE SESSION

BILL NO. HB 339Revision Date: 21-Jan-92Department Affected: Natural ResourcesTitle: Stratigraphic Test Well CreditsBRU: Petroleum Management

Components: _____

Sponsor: Rules for GovernorRequestor: House Oil & GasCOMPONENT 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 WilsonPhone: 465-2400Division: Commissioner's OfficeDate: 21-Jan-92Approved by Commissioner: Harold C. HeinzeDate: 21-Jan-92Agency: Department of Natural Resources

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

FISCAL NOTE

No. 2STATE OF ALASKA
1991 LEGISLATIVE SESSIONBill Version: HB 339(H) Publish Date: 5/17/91

Revision Date: _____ Department Affected: Natural Resources
 Title: Stratigraphic Test Well Credits BRU: Petroleum Management
 Component: _____
 Sponsor: Rules for Governor
 Requestor: _____ COMPONENT SERIAL NO. 439

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	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-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: 5/9/91

Approved by Commissioner: Harold C. Heinze *CWH*
 Agency: Natural Resources Date: 5/9/91

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

WALTER J. HICKEL
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

May 17, 1991

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Speaker Grussendorf:

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.

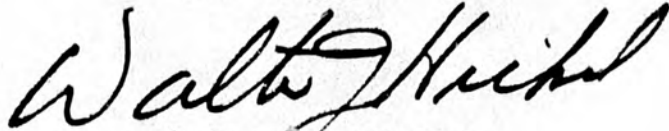
The bill requires the driller to provide the state with well data before a credit is approved. This assures that no credit will be granted unless the state receives, in exchange for the credit, information bearing on the selection of land under the Alaska Statehood Act.

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 Ben Grussendorf - 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 dark ink, appearing to read "Walter J. Hickel". The signature is fluid and cursive, with the first name "Walter" being more prominent and the last name "Hickel" following in a similar style.

Walter J. Hickel
Governor

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

400 WILLOUGHBY AVENUE
JUNEAU, ALASKA 99801-1796
PHONE: (907) 465-2400
FACSIMILE: (907) 586-2754

January 24, 1992

The Honorable Bill Hudson, Chair
House Special Committee for Oil and Gas
State Capitol
Juneau, AK 99811-1182

Dear Representative Hudson:

Subject: House Bill 339, relating to incentive credits for drilling stratigraphic test wells.

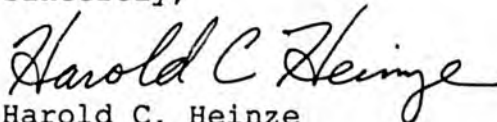
Position: The Department of Natural Resources supports this bill. It's enactment will allow the state to obtain subsurface information critical to choosing the best possible land for the state's remaining 20 million acre entitlement. As an added benefit, this bill will encourage industry to begin exploration of poorly understood interior basins.

Background: The purpose of this bill is to encourage the drilling of stratigraphic test wells on land not currently under oil or gas lease. The state needs subsurface information to better evaluate the hydrocarbon potential of interior sedimentary basins. The bill requires the driller to provide the state with well data before a credit is approved. This assures that no credit will be given unless the state receives information related to state land selections in return.

Currently, the department may grant oil and gas exploration incentive 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 on state oil and gas leases. This bill extends the exploration incentive program under 38.05.180 (i) to all land in the state until September 1, 1993.

Recommendation: To ensure the state has sufficient information to select land that meets the economic needs of Alaskans, now and in the future, please schedule a hearing for and support this bill.

Sincerely,



Harold C. Heinze
Commissioner

cc: Committee Members
Paul Fuhs, Legislative Liaison, Office of the Governor
Jim Eason, Director, Division of Oil and Gas