

# Exploration Licensing

Exploration licensing supplements the state's oil and gas leasing program and encourages oil and gas exploration outside of the known oil and gas provinces in the Alaska Peninsula, Cook Inlet, Beaufort Sea, North Slope, and North Slope Foothills. The holder of an oil and gas exploration license has the exclusive right to explore an area between 10,000 acres and 500,000 acres in size for a term of up to 10 years. Rather than an up-front bonus payment to the state, as is done in competitive leasing, a licensee must commit direct expenditures for exploration. Because a license has no annual rental payments, the only money guaranteed the state is a one-time \$1 per acre licensing fee, which is paid upon acceptance. However, the state is provided all of the geological and geophysical information acquired by the licensee, and so it can gain a better understanding of an area's resource potential.

Each application for an exploration license must go through a public notice and written finding process to determine whether issuance of a license is in the state's best interest. DNR first issues a notice of intent to evaluate the exploration license proposal and solicits any competing proposals for the area. The department then requests public comment on the proposal(s) and goes through a best interest finding process similar to that for oil and gas leasing to determine whether issuing a license for the area is in the best interest of the state. If competing proposals are submitted for an area, the ap-

plicants must submit sealed bids. The successful bidder is determined by the highest bid in terms of the minimum work commitment dollar amount.

The licensee must commit 25 percent of the total specified work commitment by the fourth anniversary of the exploration license. Once the total work commitment is met, the licensee may convert all or a portion of the license area to oil and gas leases without going through a competitive bidding process. Upon conversion, the lessee begins paying the state annual rental fees of \$3 per acre. Should exploration lead to development and production, the state is entitled to a royalty share that cannot be less than 12.5 percent.

## Five-Year Licensing Program

DNR accepts proposals for oil and gas exploration licenses that it receives during the month of April of each year, as specified in 11 AAC 82.909. Land not eligible for licensing is specified in AS 38.05.131. The following table shows the license applications the department has received since areawide leasing began, and their current status. The Healy exploration license was issued on 12/20/2010. A final finding on remand for the Holitna exploration license was issued on December 9, 2009, and is currently subject to a Superior Court appeal period, while the Crooked Creek-Circle and Houston-Willow applications have received public notice and are pending issuance of preliminary best interest findings.

## Exploration Licenses

Location	ADL/ Status	Licensee	Acres	Work Commitment	Effective Date	Term
Susitna Basin II*	390078 Active	Cook Inlet Energy LLC	471,474	\$3,000,000	11/1/2003	10 Yrs
Nenana Basin**	390079 Active	Doyon Ltd; ASRC; Usibelli Energy LLC	482,942	\$2,525,000	10/1/2002	10 Yrs
Crooked Creek-Circle Basin	391236 Application	BGI North America LLC	72,443	\$500,000	Proposed	(10 Yrs)
Holitna Basin***	390607 On appeal	Holitna Energy Co. LLC	26,791	\$80,373	Pending	
Healy Basin	390606 Issuance of License Pending	Usibelli Coal Mine Inc.	197,635	\$500,000	1/1/2011	(10 Yrs)
Houston- Willow Basin	391282 Application	LAPP Resources Inc.	21,080	\$500,000	Proposed	(10 Yrs)
Crooked Creek-Circle Basin	391236 Application	BGI North America LLC	72,443	\$500,000	Proposed	(10 Yrs)
Susitna Basin IV	391628 Application	Cook Inlet Energy LLC	62,909	\$2,250,000	Proposed	(10 Yrs)

\* License extended from 7 to 10 years on November 1, 2010. Cook Inlet Energy LLC committed an additional \$750,000.00 in work commitments.

\*\*License extended from 7 to 10 years on October 21, 2008. Part of the license area will be patented to University of Alaska per 2005 legislation and settlement agreement.

\*\*\*Final on remand was issued December 9, 2009; Superior Court appeal is pending.

