

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 areas. 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 for up to ten 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 so it may evaluate 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. It then requests public comment on the proposal(s) and goes through a written 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 applicants 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 of at least 12.5 percent.

Licensing Program

DNR accepts proposals for oil and gas exploration licenses during 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 current active licenses and pending applications, and their current status.

The Division received no applications for exploration licenses during the application period in 2014.

A four-year exploration license was issued to Cook Inlet Energy, LLC on October 1, 2014.

Exploration Licenses

License Name	ADL	Status	Licensee	Acres	Work Commitment	Effective Date	Term (years)
Healy Basin	390606	Active	Usibelli Coal Mine Inc.	204,883	\$500,000	01/01/2011	10
Houston-Willow Basin	—	Application	Pending	Pending	Pending	Pending	Pending
North Nenana	—	Application	Pending	Pending	Pending	Pending	Pending
Southwest Cook Inlet	392536	Active	Cook Inlet Energy, LLC	168,581	\$1,501,000	10/01/2014	4
Susitna Basin IV	391628	Active	Cook Inlet Energy, LLC	62,909	\$2,250,000	04/01/2011	10
Susitna Basin V	391794	Active	Cook Inlet Energy, LLC	45,764	\$250,000	04/01/2012	5
Tolsona	392209	Active	Ahtna, Inc.	43,492	\$415,000	12/01/2013	5

