

January 2009

STATE OF ALASKA
FIVE-YEAR PROGRAM
OF PROPOSED
OIL AND GAS
LEASE SALES

With Reports On
Exploration Licensing
Geothermal Lease Sales
and Exploration Incentive and Tax Credit Programs



Cover Photo: Sunset over pipeline at Prudhoe Bay, April 2008

Photo by Ken Marsh, DNR/DOG

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OIL AND GAS
LEASE SALES**

**With Reports On
Exploration Licensing
Geothermal Lease Sales
and Exploration Incentive and Tax Credit Programs**

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Governor**

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Department of Natural Resources**

**January 2009
Prepared for the First Session
Twenty-Sixth Alaska State Legislature**

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Introduction

Oil and gas lease sales are the initial step in a process that generated approximately 89 percent of the state's income during Fiscal Year 2008.¹⁾ The Alaska State Legislature has found that "the people of Alaska have an interest in the development of the state's oil and gas resources" and has specified in AS 38.05.180 that the commissioner of the Department of Natural Resources (DNR) prepare a five-year proposed oil and gas leasing program. The program is updated annually and is available on the Division of Oil and Gas Web site. This document presents DNR's proposed lease sales for 2009 through 2013.

Article VIII, Section 1 of the Alaska Constitution states that "[i]t is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest." Section 2 further states that "[t]he legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the state, including land and waters for the maximum benefit of its people."

The Five-Year Oil and Gas Leasing Program provides a stable and predictable schedule of proposed lease sales, which helps promote the further development of Alaska's petroleum resources. The petroleum industry has come to rely on this program to plan for exploration and development expenditures. Business and labor use the program to prepare for resultant economic opportunities.

Although the primary purpose of leasing is to enable and manage oil and gas development on state lands and realize the subsequent economic benefits²⁾, the leasing program itself has been a significant revenue source. During 2008, lease tracts were sold in five sales, resulting in an estimated \$11.8 million³⁾ in bonus-bid income to the state. A report on the final results of the 2007 lease sales and preliminary results of the 2008 lease sales is included in this report.

DNR has identified five areas of moderate to high potential for oil and gas development and designated these areas for leasing through competitive bid sales. This report contains a brief description of the process

leading up to a lease sale, a brief description of each sale area, and the program of sales for the next five years. A list of all state oil and gas lease sales held since 1959 is listed in the "Summary of State Competitive Lease Sales" starting on page 46.

A total of 25 proposed areawide lease sales are scheduled over the next five years, with one sale scheduled annually for each of the following areas: Alaska Peninsula, Cook Inlet, Beaufort Sea, North Slope, and North Slope Foothills. Fact sheets and maps describing the proposed sale areas begin on Page 16.

In addition to oil and gas lease sales, DNR authorizes and manages the exploration licensing program for areas outside the areawide sale boundaries. A summary of the program and the status of exploration licensing areas begin on page 52.

In September 2008, the department also held its first geothermal lease sale in 22 years, generating \$3.5 million in bonus bids and \$108,000 in annual lease rental fees. The results of the sale can be found on page 56.



¹⁾ FY2008 royalty, settlement, rental, federal share, and bonus revenue as percentage of general fund unrestricted revenue.

²⁾ As a result of oil and gas revenue from bonus bids, lease rentals, and royalty payments (including federal shares), and settlements during Fiscal Year 2008, approximately \$1.613 billion was deposited into the general fund and \$.545 billion into the Permanent Fund and School Fund.

³⁾ Preliminary results are subject to title and administrative review, and may change significantly.

Areawide Leasing

To achieve stability and predictability in the oil and gas leasing program, and in response to industry's request for more frequent sales, the state implemented competitive annual areawide leasing in geographic regions of the state where there is known potential for oil and gas discoveries. Under areawide leasing, the state offers all available state acreage within those regions for lease by competitive bidding at annually scheduled lease sales. Before areawide lease sales, DNR used a nomination process and wrote best interest findings for each sale, which was time-consuming and often did not meet industry's timelines for exploration.

The state's first areawide sale was conducted on the North Slope in June 1998. The Cook Inlet areawide sale was added to the schedule the following year, followed by the Beaufort Sea in 2000 and the North Slope Foothills in 2001. The Alaska Peninsula areawide sale was added in 2005.

Conducting annual areawide sales is more cost-effective because it allows companies to plan for and develop their exploration strategies and budgets years in advance, and to bid on any available acreage within an entire region. A regular schedule of areawide lease sales allows for quick turnaround of expired or terminated leases, or leases contracted out of units, for reoffer in the next annual sale. The result is more efficient exploration, leading to earlier development. It also allows smaller companies and individuals the opportunity to acquire leases in areas of less interest to the major oil companies. The state has conducted annual areawide sales each year since 1998, totaling 41 sales.¹⁾

Administrative Process

The introduction of areawide leasing brought about changes to DNR's administrative process before and following a lease sale. Previously, industry was asked to nominate specific areas to include in a lease sale, and DNR sought public comment on the proposed sale areas being considered for addition to the 5-year program. That process resulted in considerable delay between nomination of lands and the lease of those lands. Since areawide lease sales offer all available state acreage within each geographic region, there is no longer a need for industry nominations. Additionally, because the lease sale area within each region does not change, it is no longer necessary to solicit public comment on the inclusion of new lands before issuing the five-year schedule. See the "Best Interest Findings" section for an explanation of the public notice process for areawide lease sales.

DNR has divided each lease sale area into tracts, generally consisting of nine 640-acre sections, irrespective of ownership. Many tracts in the North Slope region contain just four 640-acre sections. Because of the large number of tracts involved, the extent of the state's ownership interest in these tracts is no longer determined before a lease sale. Instead, after a lease sale, DNR verifies state title and land status only for the acreage within tracts that receive bids. A sale tract may contain land that the state cannot legally lease (i.e., land that is within an existing lease; is federal, Native, or private land; etc.). For bidding purposes, DNR assigns an estimated acreage figure to each tract, and the per acre bonus bid must reflect that assigned acreage. The actual acreage available may differ, depending on the title and land status within each tract. Acreage not owned by the state, already leased, clouded by title claims, or withdrawn will be excluded from the lease. Only those state-owned lands free and unencumbered will be included in any lease issued.

DNR publishes areawide tract maps showing generalized land status to assist potential bidders, but it is ultimately the bidder's responsibility to determine availability of the land within a tract before bidding. Current or more detailed title or land status information for a particular tract may be obtained from state land records at DNR's Public Information Center, located in Anchorage at 550 West 7th Ave., Suite 1260; phone (907) 269-8400; or the DNR Web site at <http://plats.landrecords.info/>.

The lease sale consists of a public opening and reading of sealed bids received by DNR during the time period specified in the sale, usually between 45 and 90 days before the sale. The highest qualified bidder on a tract is awarded that lease.

Once state title to the tracts receiving bids is verified and the acreage calculated, the bonus bid amounts are adjusted and the lease is issued based on the actual acreage available. Depending upon the number of tracts receiving bids and the complexity of the land ownership, it may take several months following the lease sale before the leases are issued.

Leasing Methods

Alaska has several leasing method options designed to encourage oil and gas exploration and maximize state revenue, as described in AS 38.05.180(f). These methods include combinations of fixed and variable bonus bids, royalty shares, and net profit shares. Minimum bids for state leases are generally \$5 or \$10 per acre. Fixed roy-

alty rates are generally 12 1/2 percent or 16 2/3 percent, although some have been as high as 20 percent. A sliding scale royalty has also been used on occasion. Lease terms are set at five, seven, or ten years, depending on geographical location.

Several months before a scheduled sale, a geologic and economic evaluation of the sale area is prepared to determine the bidding method, leasing method and the lease terms for the sale. Public notice of the sale is sent

out to an extensive mailing list maintained by the division. Leases in areawide sale areas must be offered by competitive bidding. Leases will be issued to the highest responsible qualified bidder.

¹⁾ 1998 to 2008 areawide sales: 11 were in the North Slope, 10 in Cook Inlet (added in 1999), 9 in Beaufort Sea (added in 2000), 8 in North Slope Foothills (added in 2001), and 3 in Alaska Peninsula (added in 2005).

Best Interest Findings

In 1996, to facilitate areawide leasing, the Alaska Legislature exempted oil and gas lease sales from the requirement of an annual new written finding. The law requires that a best interest finding has been done for the area within the previous ten years, and that the commissioner annually determines whether substantial new information has become available that justifies a supplement to the most recent finding.

Thus, once a finding for an area is written, DNR can conduct lease sales in that area for 10 years without having to repeat the entire best interest finding process. However, before each subsequent sale, DNR is required to call for comments from the public and determine whether a supplement to the most recent best interest finding is required.

The planning and execution of an oil and gas lease sale that requires a new best interest finding is a lengthy process that begins years before a sale. The process involves the participation of a number of state agencies, with DNR serving as the lead, along with federal agencies, Native corporations, local governments, non-governmental agencies, industry, and the public. Before disposing of an interest in state land, including an oil and gas lease sale, DNR must prepare a written finding that determines if the sale is in the best interest of the state.

When DNR prepares a preliminary written finding for an oil and gas lease sale, the department is required to consider and discuss the facts that are known at the time of preparation of the finding and that are material to the following: property descriptions, petroleum potential, fish and wildlife species and their habitats, current and projected uses, governmental powers to regulate oil and gas, reasonably foreseeable cumulative effects, lease stipulations and mitigation measures,

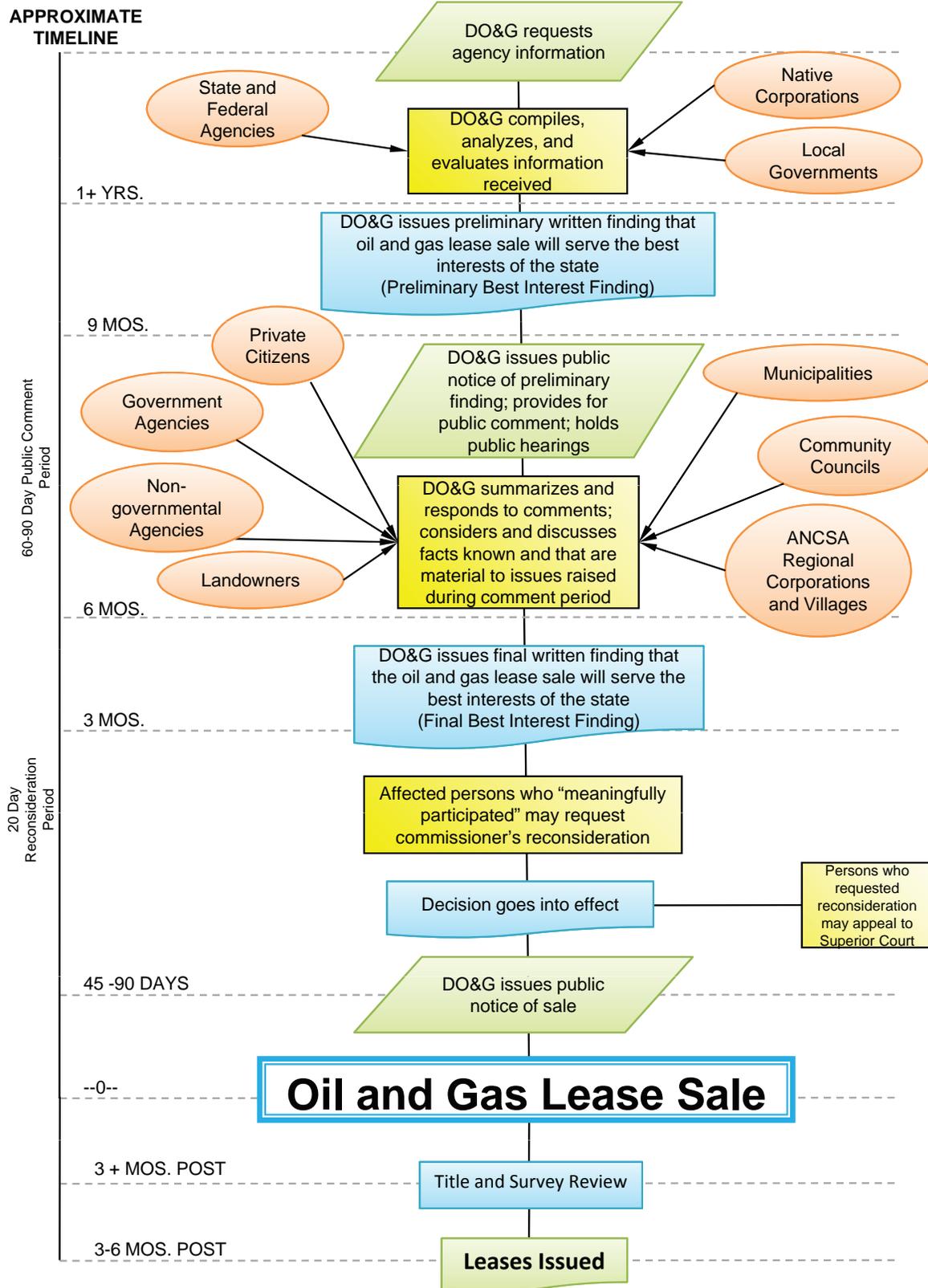
methods most likely to be used to transport oil or gas, reasonably foreseeable effects on municipalities and communities, bidding methods, and the basis for the finding that, on balance, leasing the area would be in the state's best interest.

A preliminary finding is made available to the public at least six months before a sale and followed by an opportunity for public comment for a period of not less than 60 days. DNR gives public notice of a preliminary written finding by publication of legal notices and display advertising in newspapers of statewide and general circulation, public service announcements, posting in conspicuous locations such as post offices and libraries, notification of parties known or likely to be affected, and other methods (such as the State of Alaska online public notice) calculated to reach affected parties.

During the public comment period, DNR may conduct workshops or hold open houses, public hearings, or public meetings in one or more of the affected communities. If the land is within the boundaries of a municipality or a regional corporation, that municipality or regional corporation may also hold a hearing, which department personnel attend. Comments received during the comment period help in developing a final finding. DNR releases the final finding, which determines whether the sale is in the state's best interests, at least 90 days before a scheduled sale. The final finding is also public noticed.

When the proposed lease sale includes land within the Alaska coastal zone, DNR concurrently analyzes the sale for consistency with the Alaska Coastal Management Program (ACMP), including any affected district coastal management plan. The ACMP consistency analysis is published with the preliminary written finding; the final ACMP consistency determination is issued concurrently with the final finding.

Lease Sale Process With New Best Interest Finding



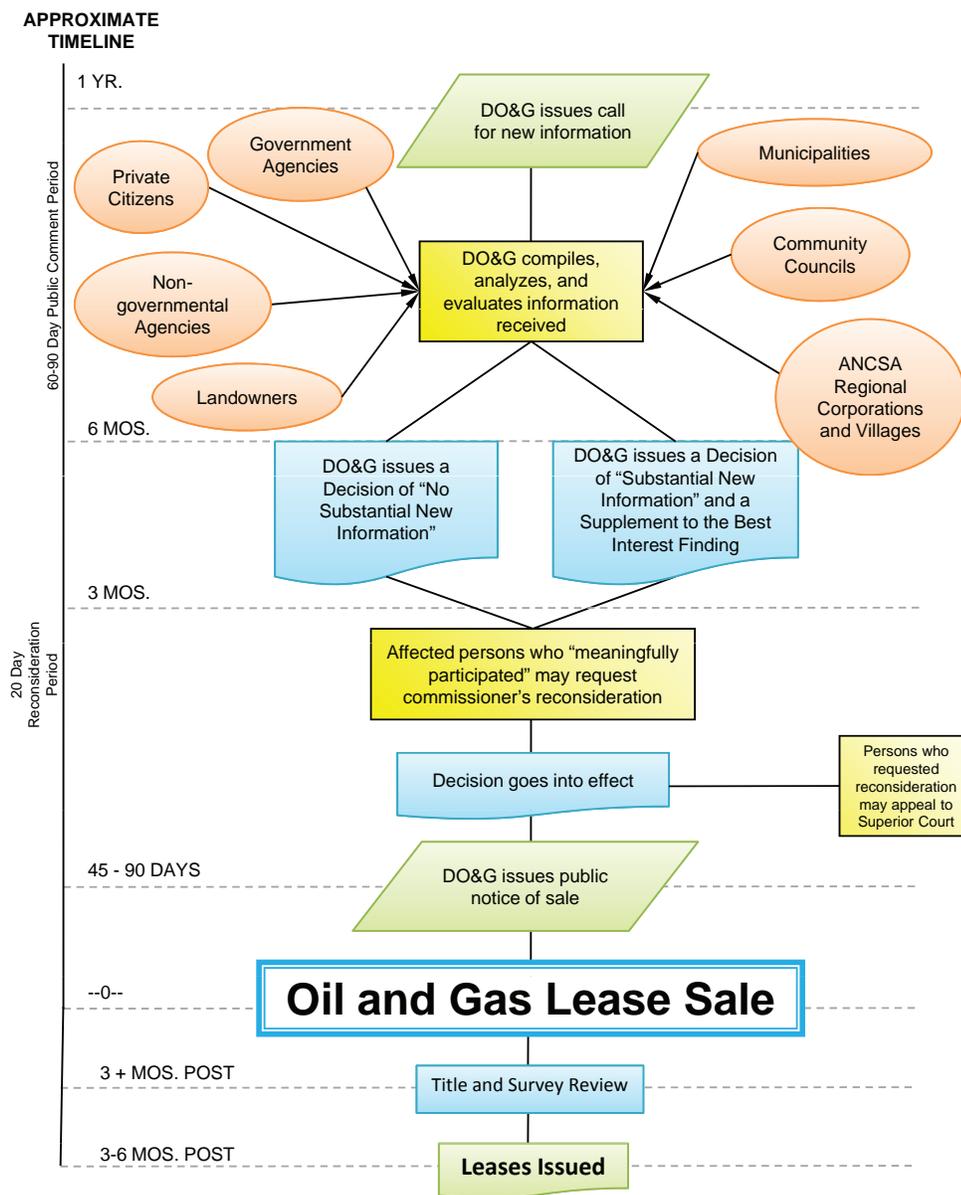
Annual Lease Sales

In the 10 years following the issuance of a best interest finding, DNR annually issues a "Call for New Information." The Call for New Information is a request for any new information that has become available since the most recent best interest finding, or supplement for that lease sale area, was issued. The Call for New Information provides opportunity for public comment for a period of not less than 30 days. Based on the information received, the commissioner determines whether it is necessary to supplement the finding. The commission-

er then either issues a supplement to the finding or a "Decision of No New Substantial Information" 90 days before the lease sale. The supplement has the status of a final written best interest finding.

Mitigation measures identified in the best interest finding are included as terms of the lease in all sales during the effective period of a finding. A new coastal management consistency review is done whenever the commissioner determines that new information or conditions suggest a proposed lease sale may no longer be consistent with ACMP standards.

Annual Lease Sale Process (between scheduled best interest findings)





FIVE-YEAR OIL AND GAS LEASING PROGRAM
PUBLIC NOTIFICATION SCHEDULE

January
2009



Proposed Sale Area & Date	2009												2010												2011												2012												2013											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Alaska Peninsula Areawide 2009 May	FS			S																																																								
Cook Inlet Areawide 2009 BIF May	N			S																																																								
Beaufort Sea Areawide 2009 BIF Oct							N			S																																																		
North Slope Areawide 2009 Oct	C	E					FS			S																																																		
North Slope Foothills Areawide 2009 Oct	C	E					FS			S																																																		
Alaska Peninsula Areawide 2010 May								C	E		FS	S																																																
Cook Inlet Areawide 2010 May								C	E		FS	S																																																
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North Slope Areawide 2010 Oct								C	E		FS	S																																																
North Slope Foothills Areawide 2010 Oct								C	E		FS	S																																																
Alaska Peninsula Areawide 2011 May										C	E	FS	S																																															
Cook Inlet Areawide 2011 May									C	E	FS	S																																																
Beaufort Sea Areawide 2011 Oct										C	E	FS	S																																															
North Slope Areawide 2011 Oct										C	E	FS	S																																															
North Slope Foothills Areawide 2011 BIF Oct								P	E			F	N	S																																														
Alaska Peninsula Areawide 2012 May												C	E	FS	S																																													
Cook Inlet Areawide 2012 May												C	E	FS	S																																													
Beaufort Sea Areawide 2012 Oct												C	E	FS	S																																													
North Slope Areawide 2012 Oct												C	E	FS	S																																													
North Slope Foothills Areawide 2012 Oct												C	E	FS	S																																													
Alaska Peninsula Areawide 2013 May												P	E	F	N	S																																												
Cook Inlet Areawide 2013 May													C	E	FS	S																																												
Beaufort Sea Areawide 2013 Oct												C	E	FS	S																																													
North Slope Areawide 2013 Oct												C	E	FS	S																																													
North Slope Foothills Areawide 2013 Oct												C	E	FS	S																																													

C = Call for Comments;
Request for New Information Made Available Since Last Finding.
BIF = New Best Interest Finding every ten (10) years.

E = End of Comment Period.
P = Preliminary Best Interest Finding /
ACMP Consistency Analysis.

F = Final Finding.
FS = Supplement to Final Finding and/or Notice of Sale and Terms.

N = Notice of Sale and Terms
S = Sale.

Best Interest Finding Schedule

Because the original areawide best interest findings were written one right after the other, they are all due to be rewritten at roughly the same time. In order to spread the workload more evenly throughout the ten-year cycle, the rewriting of three of the best interest findings will be rescheduled to occur two to three years earlier than the law requires. The Alaska Peninsula areawide rewrite is now scheduled to be completed in 2013, the North Slope areawide rewrite is scheduled to be completed in 2015, and the Cook Inlet areawide rewrite is scheduled to be completed in 2017. The result is that one of the five areawide best interest findings is now scheduled to be rewritten every two years.

Areawide O&G Sale Area	Best Interest Finding Issued	Best Interest Finding Expires	New Finding Process Begins	Estimated Completion
Alaska Peninsula	July 25, 2005	July 24, 2015	2011	2013 ¹⁾
Cook Inlet	January 20, 1999	January 19, 2009	Preliminary Issued September 29, 2008	Early 2009 (Next BIF 2017) ²⁾
Beaufort Sea	July 15, 1999	July 14, 2009	In Progress	June 2009 (Next BIF 2019) ³⁾
North Slope	July 15, 2008	July 14, 2018	2013	2015 ⁴⁾
North Slope Foothills	February 7, 2001	February 6, 2011	June 2009	2011 ⁵⁾

1) A new BIF for the Alaska Peninsula was originally scheduled for 2015. The new schedule will have the next BIF for the Alaska Peninsula issued in 2013.

2) Following the final BIF currently under production, the next BIF was originally scheduled to be issued in 2019. The new schedule will instead have the next BIF for Cook Inlet issued in 2017.

3) The Beaufort Sea BIF schedule is not changing. After the 2009 BIF is issued, the next BIF for the Beaufort Sea will be issued in 2019.

4) A new BIF for the North Slope was originally scheduled for 2018. The new schedule will have the next BIF for the North Slope issued in 2015.

5) The North Slope Foothills BIF schedule is not changing. The next BIF for the North Slope will be issued in 2011.

Qualifications for Bidding

QUALIFYING TO APPLY FOR, OBTAIN, OR TRANSFER AN INTEREST, PERMIT, OR LEASE RELATING TO OIL AND GAS IN ALASKA

Who Must File

Every individual, association or partnership, corporation, or person authorized to act on behalf of another party must qualify with the Division of Oil and Gas prior to bidding for lease tracts. Qualification also must be obtained prior to applying for, obtaining, or transferring interest in a permit or lease issued under AS 38.05.135 - 38.05.184.

Where to File

Address any required information or inquiries regarding qualifications to State of Alaska, Department of Natural Resources, Division of Oil and Gas, 550 West 7th Avenue, Suite 800, Anchorage, Alaska 99501-3560. Hand-carried material should be delivered to the same address.

How to File

The following is a list of the information and documents required when qualifying under 11 AAC 82.200 - 11 AAC 82.205. Information and documents that have been filed previously and are still current may be sufficient to qualify individuals or other entities.

A. Individuals

11 AAC 82.205(a)(2). Individuals must submit a signed, dated statement that includes the applicant's name, address, and telephone number, preferably notarized, attesting that:

The individual has reached the age of majority (in Alaska the age of majority is 18 years, except for those who are emancipated earlier by marriage or by court order), a citizen of the United States or an alien qualified under AS 38.05.190.

Forms may be obtained from the Division of Oil and Gas upon request or a statement including the necessary information may be composed and submitted by an individual.

Any legal representative, guardian, or trustee for an individual must submit a certified copy of the court order authorizing the representative to act in that capacity and to fulfill, on behalf of the individual, all obligations arising under the lease or permit. The representative must also submit a signed statement as to the age of the individual and themselves.

Agents for an individual must submit an original or certified copy of a notarized power of attorney instrument authorizing the agent to act on behalf of the individual.

B. Corporations

Corporations must submit:

- 1) the current name, mailing address, phone and fax numbers of the corporation;
- 2) a list of the individuals authorized to act on its behalf with respect to oil and gas leasing or permitting;
- 3) an original or certified copy of a notarized power of attorney authorizing any agent who is not a current officer but who has been authorized by the corporation to act on its behalf with respect to the mineral specified in the permit or lease;

a current Certificate of Compliance (Certificate of Good Standing) for those corporations qualified to do business in Alaska;

-or-

- 5) if filing for the first time, either:
 - a) a Certificate of Incorporation (Certificate of Organization for an LLC) from those corporations which have been incorporated in the state of Alaska (also known as "domestic" corporations), or
 - b) a Certificate of Authority (Certificate of Registration for an LLC) from those corporations which have been incorporated outside the state of Alaska (also known as "foreign" corporations).

The required certificates must be requested from the Alaska Department of Commerce, Community and Economic Development (DCCED). Certificates may be purchased online at www.dced.state.ak.us/occ/, e-mail: corporations@alaska.gov.

These documents may also be obtained by mail from:

Alaska Department of Commerce, Community and Economic Development (DCCED)
Attention: Corporations Section
9th Floor, State Office Building
P. O. Box 110808
Juneau, Alaska 99811-0808
(907) 465-2530

-or-

Alaska Department of Commerce and
Economic Development
Attention: Corporations Section
550 W 7th Ave., Suite 1500
Anchorage, Alaska 99501
(907) 269-8173

Inquiries about incorporating in the state of Alaska, or qualifying as a foreign corporation to do business in the state of Alaska should be addressed to personnel at either of the above addresses.

C. Unincorporated Associations

Unincorporated Associations, partnerships or joint ventures must submit:

- 1) a statement describing the business relationships between members of the association, partnership or joint venture;
- 2) a statement of qualifications for each member of the association, partnership, or joint venture (outlined in Section A);

-and/or-

if some or all of the members are incorporated entities, all information required for corporations (described in Section B) must also be submitted; and

- 3) in the case of an agent acting on behalf of an individual, an original or certified copy of a notarized power of attorney defining the agent's authority to sign with respect to the mineral specified in the permit or lease on behalf of the partnership, association or joint venture.

If still current, material previously filed with the department satisfying all or part of the requirements of this section may be incorporated in an application by appropriate reference together with a statement as to any material changes or amendments.

Sources

11 AAC 82.200

11 AAC 82.205

AS 38.05.020

AS 38.05.145(a)

Further Information

For further information regarding qualifying for Alaska oil and gas leases, please contact the State of Alaska, Department of Natural Resources, Division of Oil and Gas, 550 West 7th Avenue, Suite 800; Anchorage, Alaska 99501-3560; Phone (907) 269-8816; or visit our Web site at <http://www.dog.dnr.state.ak.us>.

Exploration Incentives and Tax Credit Programs

Exploration Incentive Credits

AS 38.05.180(i): This statute authorizes the commissioner of the Department of Natural Resources to establish an EIC system under which a lessee drilling an exploratory well on state-owned land may earn credits based upon the footage drilled and the region in which the well is located. This EIC must be designated by the commissioner as a lease sale term. Drilling information is held confidential for two years. If demonstrated by the lessee as necessary, confidentiality may be extended. The statute also provides for an EIC for geophysical work on state land, if that work is performed during the two seasons immediately preceding an announced lease sale and is on land included within the sale area. The geophysical information must then be made public after the sale. Credits are granted by the commissioner for a limited period and may be as-

signed. A credit may not exceed 50 percent of the cost of the drilling or geophysical work. Credits may be applied against royalty and rental payments to the state, or taxes payable under AS 43.55. Amounts due the Alaska Permanent Fund (AS 37.13.010) are considered before the application of credits.

Since the state began offering EICs under this program, 22 exploratory wells qualifying for credit have been drilled on state leases. There have been no applications for geophysical EICs.

Tax Credit Programs

AS 43.55.025: This program allows for a production tax credit of 30 percent of the cost of an exploratory well if either the bottom hole location is three or more miles from the bottom hole location of a pre-existing well or the bottom hole location of the exploratory well is at

least 25 miles from the boundary of any unit. A pre-existing well is a well that has been spud more than a year-and-a-half (540 days) before the spud date of the exploratory well. If an exploratory well satisfies both the 3-mile and the 25-mile criteria, it receives a 40 percent credit for exploratory expenses.

The program also offers seismic exploration tax credits of 40 percent of eligible costs for those portions of activities outside of a unit. Seismic data qualifying for this credit will be held confidential for 10 years and 30 days. This program expires on July 1, 2016. The expenses that qualify for credits under this tax program cannot be the basis of for the 20 percent qualified capital expenditure credit under AS 43.55.023(a). However, the exploratory expenses are still deductible as a lease expenditure when calculating production tax liability under AS 43.55.011(e), and can be the basis of a loss carry-forward credit under AS 43.55.023(b) if the explorer lacks income against which to deduct the exploration expenses. In addition, certain post-exploratory expenses that are ineligible for a credit under AS 43.55.025 can be the basis for a 20% qualified capital expenditure credit under AS 43.55.023(a). Credits under 43.55.025 and 43.55.023 can be either carried forward or transferred to other taxpayers.

AS 43.020.043: This program was adopted in 2003, and is applicable only to operators and working interest owners engaged in exploration for and development of

gas resources and reserves south of 68 degrees north latitude. The program allows for a 10 percent tax credit equivalent of qualified capital investments made after June 30, 2003, and 10 percent of the annual cost of activity in the state during each tax year. The total allowable yearly tax credit may not exceed 50 percent of the taxpayer's total tax liability. Unused tax credit may be carried forward for up to five years.

Credit is transferable only as part of a conveyance, assignment, or transfer of the taxpayer's business. Credit under this program may be used in conjunction with any other credit authorized by AS 43.20, but not for tax credit or royalty modification provided under any other title. This program expires January 1, 2013.

Nonconventional Gas Incentive

Under AS 38.05.180(n)(2), if the lessee under a gas-only lease demonstrates that the potential resources underlying the lease are reasonably estimated to be nonconventional gas, the rental payment on the lease will be reduced and the royalty may be reduced to 6.25 percent.

Royalty Modification

The state also allows royalty reduction for certain Cook Inlet fields for the first 10 years of production. Under AS 38.05.180(f)(5) the commissioner may also reduce royalty down to a minimum of 5 percent under AS 38.05.180(j) for delineated fields from which production would not otherwise be economically feasible.

Exploration Incentive Credits

AS 38.05.180(i)

ADL	WELL	COMPANY	CERTIFICATION DATE	TOTAL AMOUNT
343109	G-2 Well	Exxon Company USA	10/05/83	\$6,197,625.00
		Sohio Alaska Petro.	12/27/83	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 AHC 25-13-6 #1 Well	Amerada Hess	10/12/87 (3)	\$140,071.13
		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

Exploration Incentive Credits (continued)

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