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 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 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 proposed Healy exploration license is pending a new preliminary decision; the proposed Holitna exploration license is pending a revised final decision subsequent to remand from the Superior Court, while the Crooked Creek-Circle and Houston-Willow applications have received public notice and are pending issuance of preliminary best interest findings.

Exploration Licenses

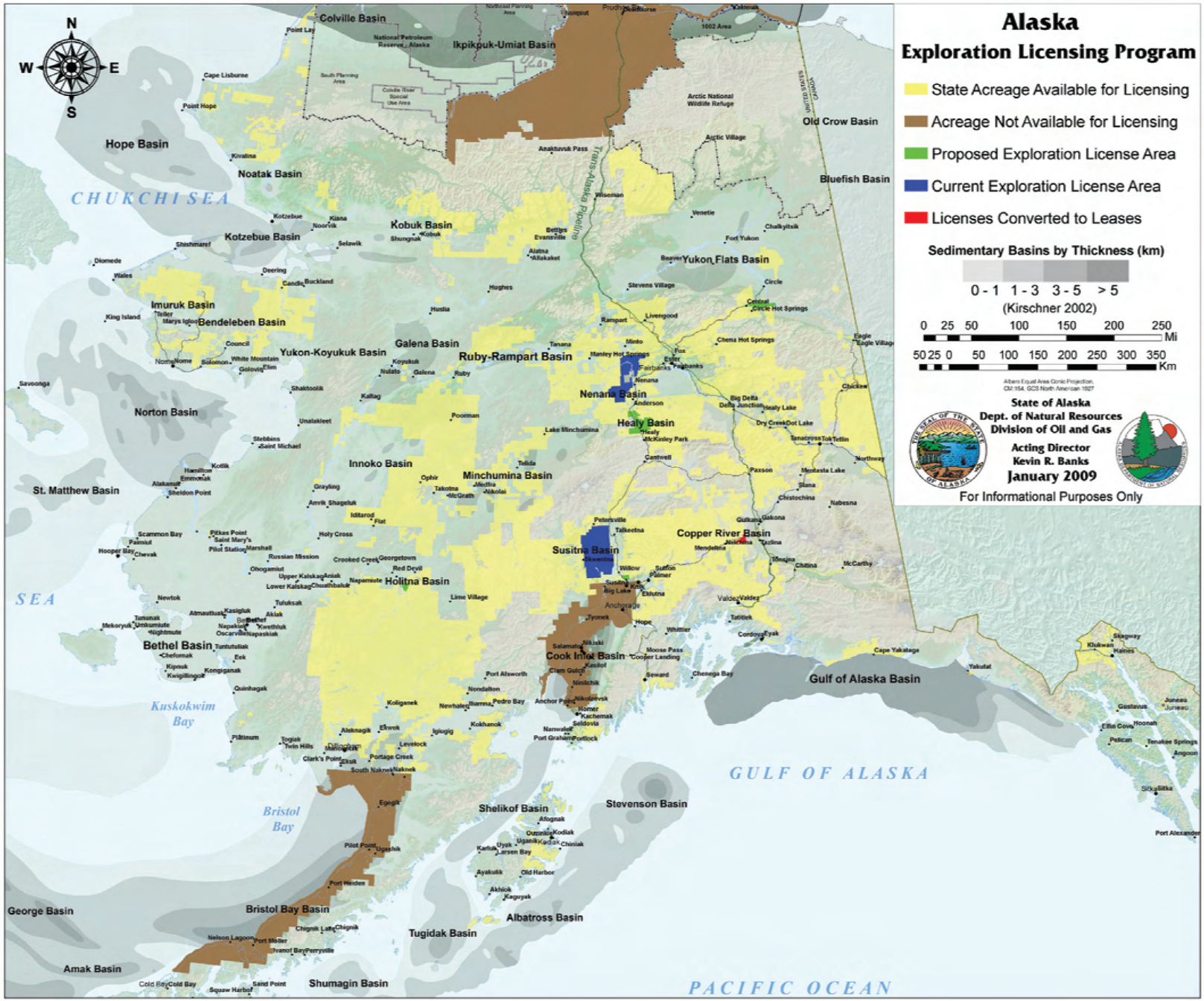
Location	ADL/ Status	Licensee	Acres	Work Commitment	Effective Date	Term
Copper River Basin*	389724 Converted to leases	Pacific Energy AK Operating LLC, Anschutz Exploration Corp.	44,576	N/A	10/1/2007	5 Yrs
Susitna Basin I	390077 Terminated	Forest Oil Inc.	386,207	$2,520,000	11/1/2003 Term. 11/1/2007	(7 Yrs)
Susitna Basin II	390078 Active	Pacific Energy Operating LLC	471,474	$3,000,000	11/1/2003	7 Yrs
Nenana Basin**	390079 Active	Doyon Ltd; ASRC; Usibelli Energy LLC	482,942	$2,525,000	10/1/2002	10 Yrs
Susitna Basin III †	390395 Closed	Clearflame Resources	478,584	$2,500,000	N/A, Closed w/o issuance	(7 Yrs)
Holitna Basin***	390607 On appeal	Holitna Energy Co. LLC	26,779	$80,337	Pending	
Healy Basin	390606 Preliminary	Usibelli Coal Mine Inc.	208,630	$500,000	Pending	(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)

* The license was issued effective October 1, 2000 for a five year term. A portion of the license area was converted to 12 individual leases effective October 1, 2007. The acreage, effective date and term listed above applies to the leases.

† Applicant was awarded license but declined

**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.

***Commissioner denied the application. Applicant appealed the decision to Superior Court. Superior Court remanded case back to DNR.


Alaska
Exploration Licensing Program
State Acreage Available for Licensing
Acreage Not Available for Licensing
Proposed Exploration License Area
Current Exploration License Area
Licenses Converted to Leases
Sedimentary Basins by Thickness (km)
0 - 1 1 - 3 3 - 5 > 5
(Kirschner 2002)
0 25 50 100 150 200 250 Mi
50 25 0 50 100 150 200 250 300 350 Km
Albers Equal Area Conic Projection,
CM 154, GCS North American 1927
State of Alaska
Dept. of Natural Resources
Division of Oil and Gas
Acting Director
Kevin R. Banks
January 2009
For Informational Purposes Only
N
W
E
S
Colville Basin
Ikpikpuk-Umiat Basin
Hope Basin
Noatak Basin
Kotzebue Basin
Kobuk Basin
Old Crow Basin
Bluefish Basin
Yukon Flats Basin
Imuruk Basin
Bendeleben Basin
Yukon-Koyukuk Basin
Galena Basin
Ruby-Rampart Basin
Nenana Basin
Healy Basin
Norton Basin
Innoko Basin
Minchumina Basin
St. Matthew Basin
Susitna Basin
Copper River Basin
Holitna Basin
Bethel Basin
Cook Inlet Basin
Gulf of Alaska Basin
Shelikof Basin
Stevenson Basin
Bristol Bay Basin
George Basin
Albatross Basin
Tugidak Basin
Amak Basin
Shumagin Basin
CHUKCHI SEA
SEA
Kuskokwim Bay
Bristol Bay
GULF OF ALASKA
PACIFIC OCEAN
Trans-Alaska Pipeline