

# 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 Holitna exploration license was issued on February 1, 2012, and its issuance has been appealed to the Supreme Court.
- A five-year exploration license was issued for Susitna Basin V on April 1, 2012.
- The Houston-Willow application has received public notice and is pending issuance of a preliminary best interest finding. Ahtna, Inc. applied for an exploration license in the Copper River Basin in April 2012.
- The Nenana Basin exploration license is currently in the process of being converted to leases. This is the first time an exploration license of this size has resulted in a conversion to leases.

## 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 In conversion to leases	Doyon Ltd; ASRC; Usibelli Energy LLC	482,942	\$2,525,000	10/1/2002	10 Yrs
Holitna Basin	390607 Active	Holitna Energy Co. LLC	26,791	\$80,373	2/1/2012	3 Yrs
Healy Basin	390606 Active	Usibelli Coal Mine Inc.	197,635	\$500,000	1/1/2011	10 Yrs
Houston- Willow Basin	391282 Application	Dan Donkel and Sam Cade	21,080	\$500,000	Proposed	10 Yrs
Susitna Basin IV	391628 Active	Cook Inlet Energy LLC	62,909	\$2,250,000	4/1/2011	10 Yrs
Susitna Basin V	391794 Active	Cook Inlet Energy LLC	45,764	\$250,000	4/1/2012	5 Yrs
Copper River Basin	392209 Application	Ahtna, Inc.	46,080	\$415,000	Proposed	5 Yrs

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

