



Representative Reggie Joule

Alaska State Legislature

District 40

Sponsor Statement for HB 280 Oil & Gas Tax Credits: Kotzebue/Selawik Basin

HB 280 is designed to incentivize exploration drilling in the underexplored Kotzebue/Selawik Basin. The Kotzebue/Selawik Basin has shown potential, but has remained underdeveloped due to complications associated with its remote location. HB 280 is modeled after the Cook Inlet tax credits that successfully spurred exploration in that region. Economic growth and development in the Northwest region is crippled by the regions remoteness, high energy prices and the lack of reliable energy supplies, this legislation will strongly encourage companies to invest in this frontier basin. HB 280 has the potential to not only benefit Alaska through expanded exploration but local communities as well by increasing available local reliable and affordable energy resources.

The tax credits will apply to the first three persons that drill an exploration well to the depth greater than 2,000 feet for the purposes of discovering gas or oil, and are structured as follows:

- The first person that drills an exploration well is credited 100 percent of costs, or \$30 million, whichever is less;
- The second exploration well drilled is entitled to a credit of 90 percent, or up to \$27 million;
- The third exploration well is credited at 80 percent, or up to \$24 million.

If the exploration results in sustained oil and/or gas production from the discovered reservoir; then 50 percent of the credits awarded will be repaid to the state.

Incentivizing frontier basins for exploration that show a high potential for production of gas and/or oil near energy starved regions of Alaska will help support the Alaskan families and the economy. Frontier basin exploration is the next step Alaska must take to solve the high cost of energy in Rural Alaska while providing new opportunities for exportation and in-state use of our resources.