

ALASKA STATE LEGISLATURE

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REPRESENTATIVE STEVE THOMPSON DISTRICT 10

SPONSOR STATEMENT FOR HOUSE BILL 276 (27-LS1193\D)

“An Act providing for a credit against the oil and gas production tax for costs incurred for conducting seismic exploration and drilling certain oil or natural gas exploration wells in certain basins; and relating to a limit in certain oil and gas production tax credits.”

HB276 is designed to incentivize seismic exploration and exploration drilling in certain areas of the State of Alaska that contain underexplored basins located in close proximity to a community in need of a local energy source. Due to complications associated with many basins' remote locations, they have stayed unexplored. HB276 is modeled after the Cook Inlet tax credits that successfully triggered a stampede of exploration. At a time when economic growth and development in a good portion of Alaska is crippled by high energy prices and the lack of reliable energy supplies, this legislation strongly encourages companies to invest in underexplored, frontier basins, located near energy challenged communities. In Alaska, the constituencies of seventeen House Districts still rely on expensive heating oil. Fairbanks, the second largest city in Alaska is located just 50 miles away from the Nenana Basin, a frontier-basin that shows potential, but lacks investors. HB276 is an effort to help not only Fairbanks but other regions of the state that are being crippled by high energy prices.

The seismic tax credits will apply to the first four persons that perform seismic exploration in four different areas identified by the bill. The credit will be for the lesser of \$7,500,000 or 75% of the total seismic exploration expenditures. The drilling credit is for the first four exploration wells in an area described in the bill with no more than two wells in any single area. The exploration drilling credit is for the lesser of \$22,500,000 or 80% of the total exploration drilling expenditures.

Incentivizing exploration in basins located near energy starved regions of Alaska that show potential for production of gas and/or oil is another step that will help support the economy and well-being of businesses and families in Alaska who are currently suffering from high energy costs and the lack of reliable energy supplies.