



Official Business

ALASKA STATE LEGISLATURE

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Member: C&RA Committee

Member: Regulatory Review

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Sponsor Statement

CSSB 145 (Res) “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.”

CSSB 145 is designed to attract exploration drilling and seismic exploration in remote areas of Alaska with some proximity to communities in need of a local energy source. These remote areas show promise of holding hydrocarbons, but are underexplored due to complications and costs associated with accessing and developing these remote locations. Because they are underexplored, or even unexplored, they have provided scant geological information to either the state or possible investors. At a time when economic growth and development in many regions of Alaska are crippled by high energy prices and the lack of reliable energy supplies, this legislation will provide needed encouragement to independent companies and landowners otherwise hesitant to invest in exploration projects near energy challenged communities. For example, the Fairbanks community spends over \$660 million per year on space heating, yet is located just 50 miles away from the Nenana Basin, a geologic basin that has shown strong potential to be a source for oil and gas. All that is needed to develop this potential resource is investors. Like tax credits used in other regions in the state, CSSB 145 tax credits for frontier basins will attract those needed investors.

CSSB 145 provides to the first four persons that perform seismic exploration in four different areas identified in the bill a credit in the amount of \$7,500,000 or 75% of the total seismic exploration expenditures, whichever is less. The first four exploration well drillers to drill within the areas described in the bill will receive \$22,500,000 or 80% of the total exploration drilling expenses, whichever is less. No more than two wells in a single designated area may qualify for the credit. In exchange for the tax credit, explorers must agree to meet certain criteria before commencing exploration that will assure the state that the project is sound, and they must agree to provide to the state specific data acquired through the project.

By providing meaningful tax credits to the first four exploration drillers to drill in these remote areas, and the first four seismic projects to be completed, CSSB 145 will hasten exploration in specific remote basins that the Department of Natural Resources has identified may hold oil and gas reserves. The exploration incentives in CSSB 145 will benefit the Interior and other regions of the state faced with crippling high-energy costs and benefit the state by providing information needed to better define potential resources and further attract investment and exploration in these remote areas.