

ALASKA STATE LEGISLATURE

Session:

**State Capitol Building
Room 428
Juneau, Alaska 99801-2186
Phone (907) 465-3004
Fax: (907) 465-2070
Toll Free: (877) 465-3004**



Interim:

**1292 Sadler Way, Ste. 308
Fairbanks, Alaska 99701
Phone: (907) 452-1088
Fax: (907) 452-1146
Toll Free: (877) 465-3004**

REPRESENTATIVE STEVE THOMPSON DISTRICT 10

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

“An Act providing for a credit against the oil and gas production tax for costs incurred in drilling certain oil or natural gas exploration wells in the Nenana Basin”

HB276 is designed to incentivize exploration drilling in the underexplored Nenana Basin. The Nenana Basin has shown great potential, but has remained underdeveloped due to complications associated with its remote location. 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 the Interior is crippled by high energy prices and the lack of reliable energy supplies, this legislation will strongly encourage companies to invest in this high potential, frontier basin, located just 50 miles from Fairbanks. HB276 has the potential to not only benefit the Interior but all Alaskans on the railbelt and beyond.

The tax credits will apply to the first three persons that drill an exploration well to the depth of 8,000 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 \$25 million, whichever is less;
- The second exploration well drilled is entitled to a credit of 90 percent, or up to \$22.5 million;
- The third exploration well is credited at 80 percent, or up to \$20 million.

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

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

E-mail Representative_Steve_Thompson@legis.state.ak.us