

HB

307

REPRESENTATIVE
HUGH "BUD" FATE

Mailing Address:
119 N. Cushman, Suite 101
Fairbanks, AK 99701
(907)488-0862
Fax: 488-4271

Alaska State Legislature



House Of Representatives

While in session:

State Capitol
Juneau, Alaska
99801-1182
(907)465-4976
Fax: (907)465-3883

House District 33

SPONSOR STATEMENT

HB 307

OIL/GAS EXPLORATION INCENTIVE CREDIT

House Bill 307 will extend the exploration incentive credit for petroleum for an additional three (3) years. This will allow for further exploration into the possibility of natural gas and oil in the Tanana River Drainage Basin.

There is presently renewed interest in exploring for natural gas in the above described basin near Nenana. This simply extends its sunset provision from 2004 to 2007.

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

The development of natural gas resources in the Fairbanks, Alaska area could be assisted by two changes to Alaska law. The pertinent statutes and the changes to those statutes which would help to develop natural gas in central Alaska are as follows:

- 1) AS 41.09.010 provides for exploration incentive credits (EIC's) to be granted to parties who explore for natural gas within interior basins of Alaska. The EIC's created by this statute create an added incentive for interior Alaska exploration and could reduce the financial risk of exploration for an oil and gas company. This statute has a sunset provision of July 1, 2004. A three year extension of this statute would grant companies interested in central Alaskan exploration more time to qualify for the exploration incentive credits, which would make them more likely to take on the financial risks of drilling exploratory wells. 100,000
/
Part 10

 - 2) AS 38.05.180(f)(4) provides a reduced royalty for new discoveries of oil or natural gas in the Cook Inlet Region as a way of stimulating exploration activity that could increase the supply of natural gas to the Anchorage area. It reduces the royalty on a state lease on which a new discovery is made from 12.5% down to 5% for the first 10 years of production from that lease. This royalty reduction only applies within the Cook Inlet Sedimentary Basin. Amending this statute to grant equal dignity to the sedimentary basins of interior Alaska would act as a powerful incentive to companies interested in exploring for oil and natural gas in central Alaska.
- Lead...*

Via Facsimile (907) 488-4271
Number of Pages: 2
To: Ms. Sharon Clark
From: Jim Dodson

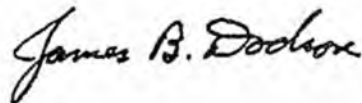
Dear Ms. Clark:

Pursuant to a conversation I had with Bob Evans, I am sending you the following page outlining the changes to Alaska law which my company, Andex Resources, L.L.C., believes would be incentives to natural gas exploration within central Alaska and the Fairbanks area. Andex is a privately funded natural gas and oil exploration company headquartered in Houston, with offices in Denver and Oklahoma City.

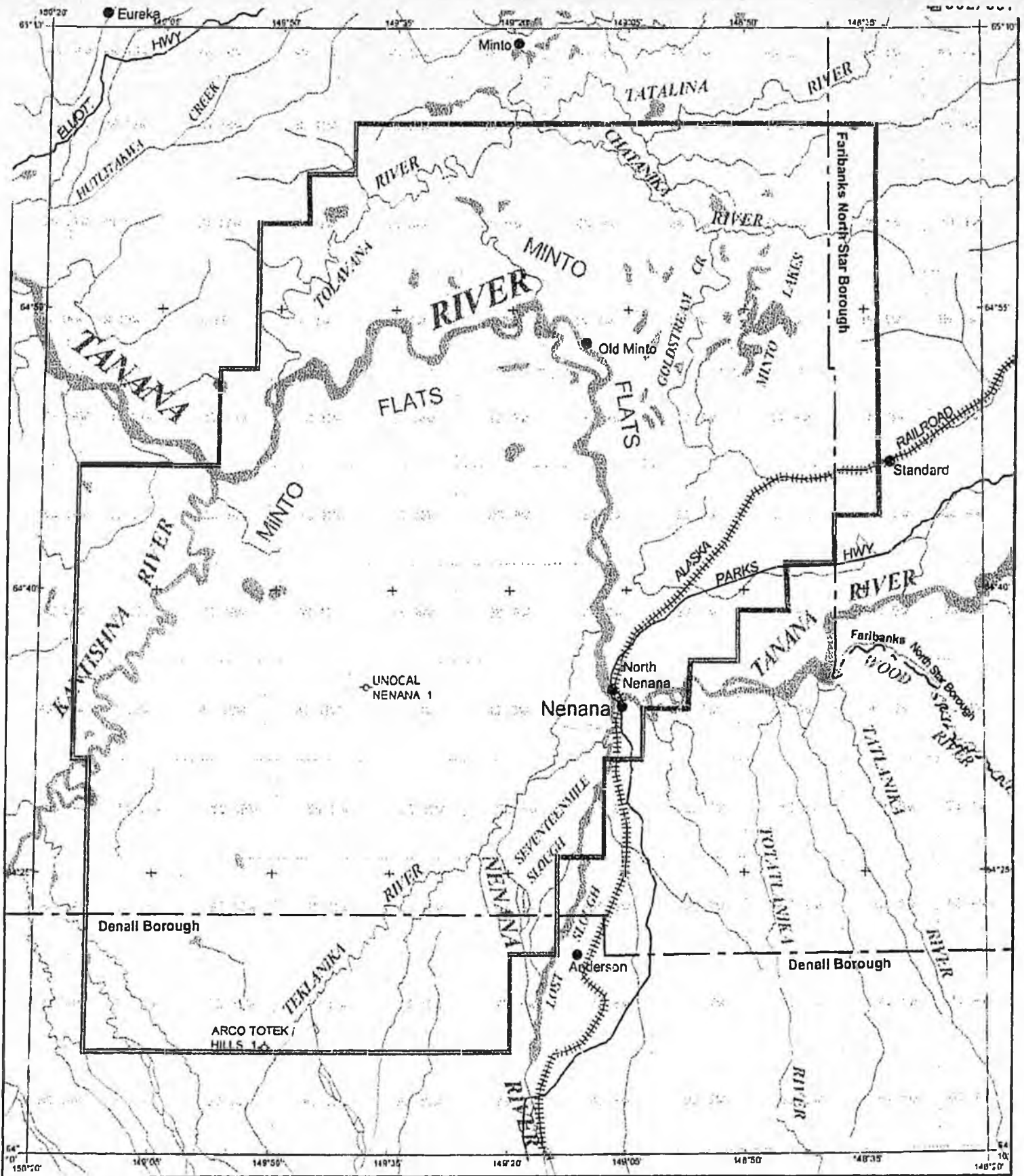
Our company has filed with the Alaska Department of Natural Resources for an oil and gas exploration license on approximately 500,000 acres of State lands in the Nenana Basin, west-southwest of the city of Fairbanks. We believe that the Nenana Basin has significant potential to provide a supply of natural gas to the city of Fairbanks and the surrounding area. The area is however, not a producing oil and gas province, and the financial risks associated with natural gas exploration in that basin are therefore very high. The proposals on the next page would reduce those financial risks of exploration and increase the rewards of success to act as incentives to exploratory drilling.

Thank you for your consideration of this matter. I can be reached at (303) 244-1020 and my address is: Andex Resources, L.L.C., 707 17th Street, Suite 3150, Denver, CO 80202.

Sincerely,

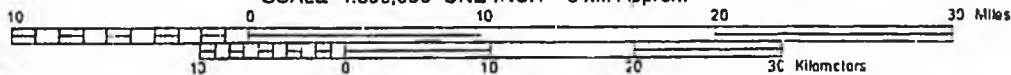


James B. Dodson
Executive Vice-President



Nenana Basin Study Area

SCALE 1:500,000 ONE INCH = 8 Mi. Approx.



Map created, edited, and published by the State of Alaska, Department of Natural Resources, Division of Oil and Gas.
 Albers Equal-Area Conic Projection, 1927 North American Datum, Clarke 1866 ellipsoid with a central meridian of 149° 20' 00", origin latitude of 50°, northern parallel of 65°, and southern parallel of 55°.
 This is not an official state map, but is for informational purposes only. DNR makes no claim as to its accuracy.

MEMORANDUM:

Alaska State Legislature

REPRESENTATIVE

HUGH "BUD" FATE

Mailing Address:

119 N. Cushman, Suite 101

Fairbanks, AK 99701

(907)488-0862

Fax: 488-4271



While in session:

State Capitol

Juneau, Alaska

99801-1182

(907)465-4976

Fax: (907)465-3883

House Of Representatives

House District 33

To: Representative Masek, Representative Scalzi

From: Representative Fate

Concerning: House Bill 307

Date: January 24, 2002

I would like to request a hearing for House Bill 307, "An Act delaying to June 30, 2007, the last date by which hydrocarbon exploration geophysical work must be performed or drilling of a stratigraphic test well or exploratory well must be completed in order for a person to qualify for an exploration incentive credit." in the House Resources at your earliest possible convenience.

I have attached relevant information for the back up packet. Thank you for your assistance.