



# ALASKA STATE LEGISLATURE

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## **Explanation of Amendment to SB 185 – Exploration Severance Tax Credit**

Alaska's revenues are dependant on the oil & gas industry – they generate most of the revenues we need to pay for services.

However, our recent data clearly shows that we are losing ground in the world market– the number of wells drilled annually in Alaska has decreased dramatically. Only 4 new exploratory wells are planned for Alaska next winter. A primary reason for that decrease is related to the costs of exploration in Alaska, costs that range from 5 cents per dollar in Azerbaijan to 65 cents on the dollar in Alaska.

The mechanism the State of Alaska has to bring those costs of exploration into line with other areas, to be more competitive in the world market, is to offer tax credits to the industry.

This amendment puts on the table for discussion, credits that will enable the oil and gas industry the opportunity to make investment decisions in Alaska so that we will benefit from the increased activity.

The amendment:

- Provides a tax credit of 20% for exploration in an area that is more than 3 miles from an existing well or a previously produced well.
- Provides a tax credit of 40% if it is more than 25 miles from an existing production cent and 40% for seismic activity outside of boundaries of existing production unit or exploration unit boundary
- Work must be accomplished between July 1, 2003 and June 30, 2007

SB 185 (S-FIN) 5-12-03: mj