



FRONTIER BASINS TAX CREDITS

Presented to the Alaska House of Representatives
Finance Committee

April 4, 2016

FRONTIER BASINS EXPERIENCE

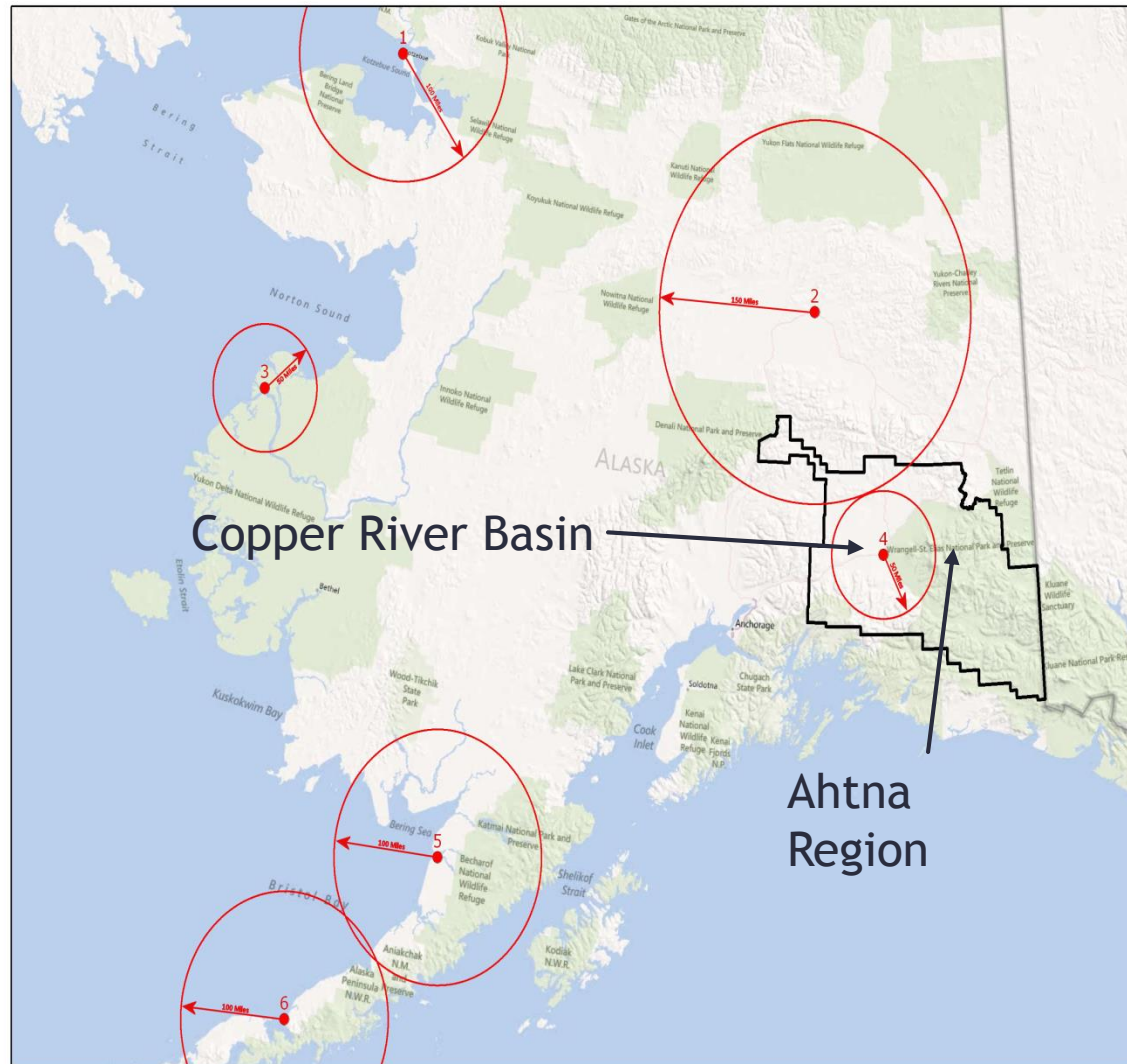
AS.43.55.025(a)(6) & (7) originally created in 2012 under HB 276 and merged with SB23

Intent of Legislature - incentivize oil and gas exploration in under explored Basins

Reduce the risk of development of local rural energy to Alaskans

Create local energy source for rural residents

Reduce or eliminate the Power Cost Equalization (PCE) subsidies



FRONTIER BASIN TAX CREDITS

- ▶ **AS 43.55.025(a)(6) – The first two exploration wells drilled inside each of the six Frontier Basins receives 80% credit or up to \$25M of qualified expenditures**
- ▶ **AS 43.55.025(a)(7) – The first seismic project performed inside each of the six Frontier Basins receives 75% credit up to \$7.5M of qualified expenditures**
- ▶ **Ahtna would not consider any exploration activities without tax credits**

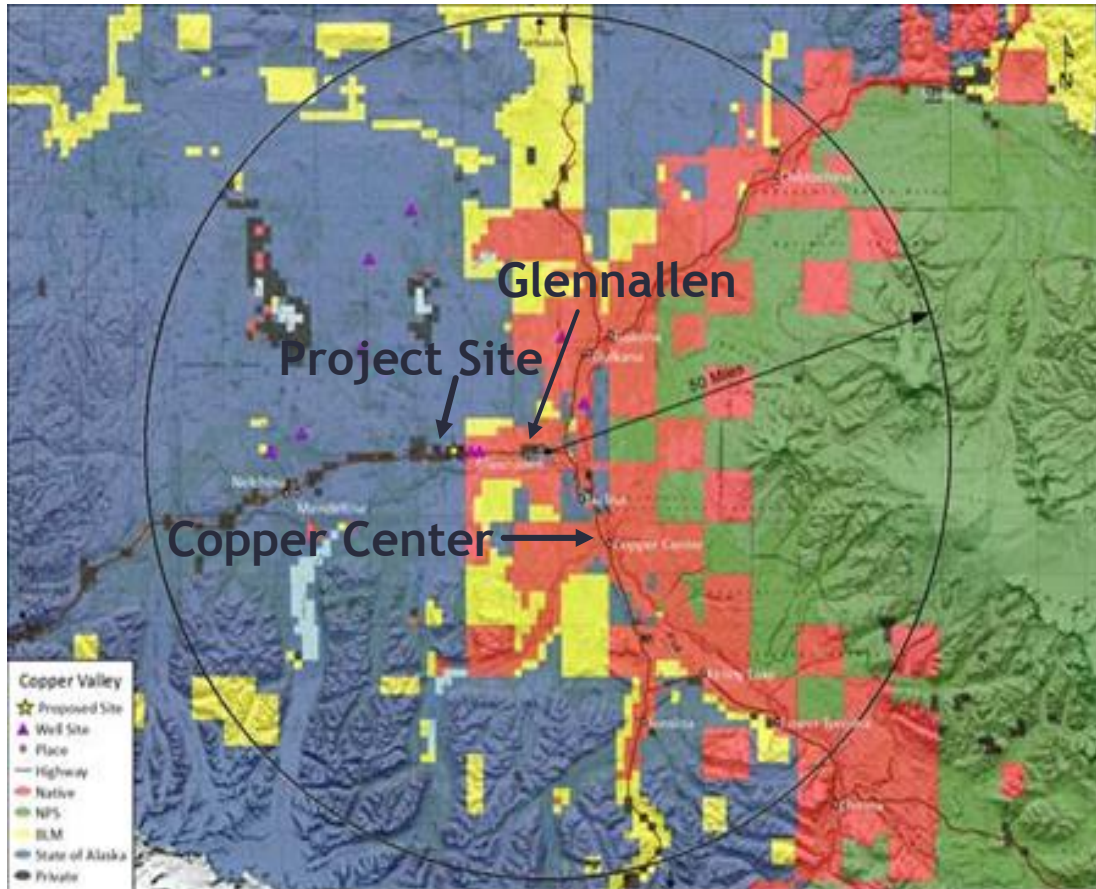
SPECIFIC FRONTIER BASIN REGULATIONS

- ▶ ADNR-DOG pre-qualification approval for seismic and well
- ▶ Various well depth and set back from previous wells
- ▶ Submission of all data to ADNR prior to credit award
- ▶ Public data disclosure of all data after 2 years
- ▶ Must provide energy source for rural energy needs!
- ▶ The AS.43.55.025(a)(6) & (7) tax credits are not eligible for stacking

EXPLORATION PROGRAM HISTORY

- ▶ April 2012 Ahtna applies for SOA Exploration License
- ▶ May 2012 Legislature approves SB 23
- ▶ December 2013 Ahtna receives Tolsona Exploration License
- ▶ June 2014 receive ADNR Commissioner pre-qualification approval for seismic
- ▶ December 2014 completes 40-miles of 2D seismic over exploration area
- ▶ April 2015 completed reprocessing of seismic data identifying 12-sq. mile potential oil and gas trap
- ▶ May 2015 submit seismic data to ADNR-DOG
- ▶ September 2015 receive ADNR Commissioner pre-qualification approval of new well
- ▶ February 2016 – majority of permits approved
- ▶ March 2016 final stages of new well engineering and design

COPPER RIVER BASIN



- ✘ Proposed Tolsona well depth of 4,500' Vertical hole.
- ✘ Targeted structure is the Nelchina sandstone.
- ✘ 11 wells drilled in the basin since 1960's.
- ✘ Most recent well - drilled by Rutter in 2005-2008.
- ✘ Natural gas shows (approximately 94% methane).
- ✘ Tolsona #1 potential for a great local fuel source.

PURPOSE AND NEED FOR GAS IN COPPER RIVER BASIN

...To conduct exploration within the license area on a single natural gas well, Tolsona #1, with the potential to develop natural gas production for distribution to local residents and electric utilities...

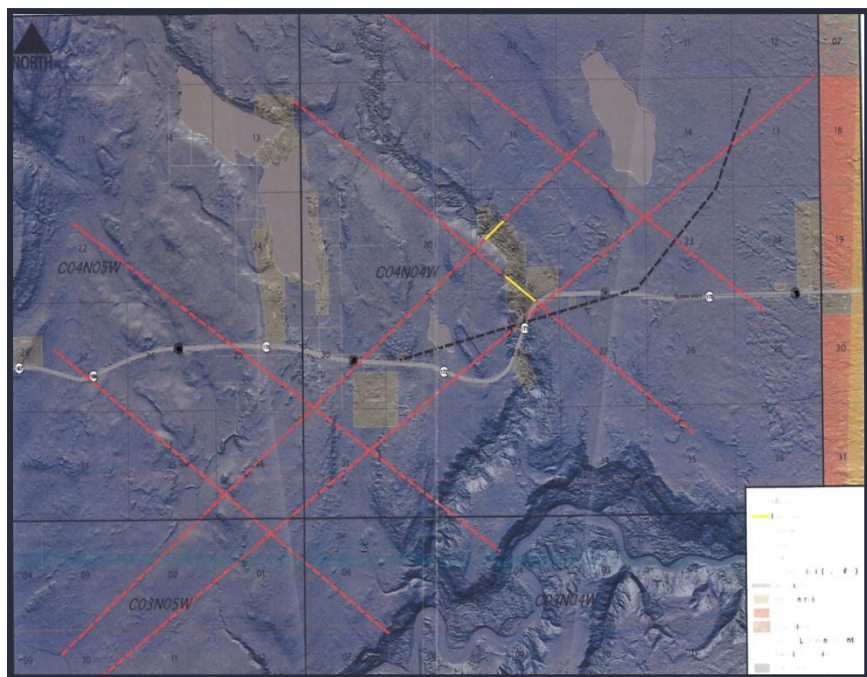
Community and Economic Development Benefits:

- ▶ Potential Opportunities for Local Employment
- ▶ Economical Benefits, Expanding Local Business
- ▶ Lowering High Energy Cost for Our Rural Economy
- ▶ Reducing Out-migration
- ▶ Building Infrastructure in the Region

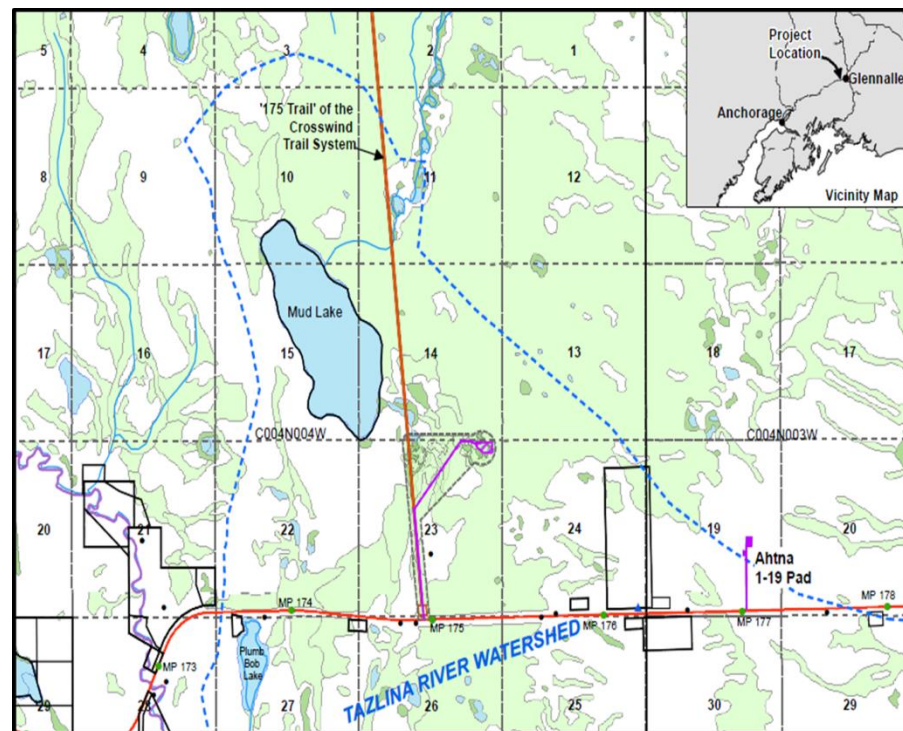
Project Overview

► Seismic

- Winter 2014/15
- 40 miles of new seismic
- Majority on State Land



► Current Location



- Exploration site on State land.
- Royalties/production tax to the State if successful.
- Improvement to public access & recreational area.

PROJECT TEAM

Ahtna, Inc.

Tolsona Exploration Oil and Gas, LLC

Ahtna Construction

HXR Drilling Services

Restoration Science & Engineering

Multiple Alaskan Companies

State, Local, Federal Agencies

ADNR ADFG

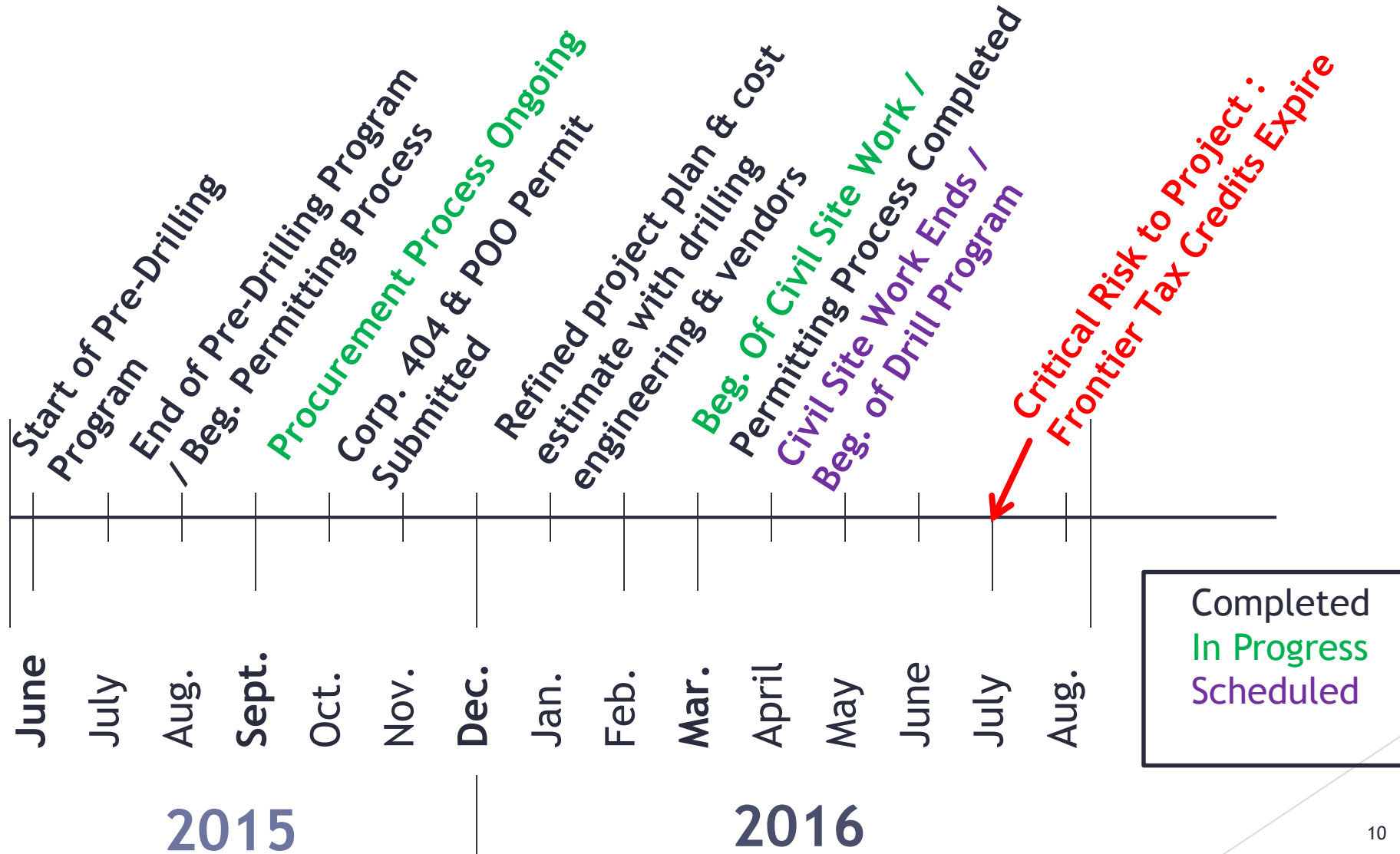
USACE ADOT

ADEC AOGCC

USFWS USEPA

Tremendous agency support, as an example, DNR Division of Oil and Gas Director has visited the region and project site.

PROJECT SCHEDULE (Very tight)!



CONCLUSION

- ▶ Our Request: It is critical to our project that the Frontier Basin AS 43.55.025(a)(6) & (7) credits are extended from June 30th 2016 to a future date, we recommend 2022 to coincide with other credit expiration dates.
 - ▶ This will greatly help the Tolsona Project that is under way with a committed investment and a very tight schedule.
- ▶ Ahtna also supports the AS 43.55.023 and 025(a)(1-4) Middle Earth tax credits to be kept in place, as an incentive to the Frontier Basin exploration and development efforts by explorers who have taken the risk and committed investment based on these incentives.

THANK YOU TO OUR GOOD PARTNERS

- ▶ We would like to thank the members of this committee for the opportunity to share our experience. We would also like to thank the Alaska Legislature, Governor, Staff and the citizens of the State of Alaska for your support for developing an affordable energy source in our region.

Questions?

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