

Fact Sheet

Natural Gas Production Act

The Need

One of the greatest challenges facing our economy is increasing natural gas prices, which account for twenty-two percent of American energy consumption.

Federal Reserve Chairman Alan Greenspan warned Congress in June 2003 that increased prices for natural gas could have a substantial effect on the U.S. economy.

A sizable portion of the traditional onshore potential gas resources lies at depths below 15,000 feet. This activity involves significant additional cost and high risk, and for this reason is largely an untapped resource. But if this production were tax-advantaged, it would be economically feasible to drill at depths below 15,000 feet. Unfortunately, there is currently no provision in the tax code that provides an incentive for deep gas drilling.

Summary of Natural Gas Production Act

The Natural Gas Production Act would extend the Section 29 tax credit for producing fuel from non-conventional sources to gas produced onshore from a formation of more than 15,000 feet. Most experts consider deep gas drilling at more than 15,000 feet to be a non-conventional source of energy production. The current Section 29 credit includes production from tight sands, oil-produced from shale and tar sands, and gas produced from geo-pressured brine.

This credit is calculated based on sales of "qualified fuels" multiplied by \$3.00 a per-barrel-of-oil equivalent.

This legislation will provide tax incentives that will increase the supply of domestically produced natural gas, and in the process, help alleviate high natural gas prices.

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