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February 22, 2011

Members of the Alaska State Legislature:

At this point in time, the negative impact that ACES has had on the Alaskan economy should be glaringly obvious. Governor Parnell's legislation to modify ACES is a proper step in helping to reverse the decline in our overall economy and in the increasing decline of the State of Alaska's tax base. The modifications will assist in assuring a more competitive long term future for all Alaskans and the dutiful management of our natural resources.

Representative Hawker and other cosponsors in the House are heading in the proper direction as well, even though the two bills vary in specifics in order to maintain and increase a viable stream of oil in the Trans Alaska Pipeline.

The trends in our business since the introduction of ACES are alarmingly negative. It is apparent that policy makers need graphic reminders of previous warnings which were largely unheeded at the time ACES was implemented. It is clear to those of us who support the needs of the oil and gas industry that industry investment dollars are going elsewhere to avoid the uneconomic tax structure here in Alaska. I believe that ACES has killed the golden goose. The risk/reward ratio for Alaskan natural resources is economically out of balance with world markets. As Alaskans I believe we have been very short sided and somewhat arrogant in our demands upon those who are helping us to manage the wealth of our natural resources.

The balancing act of proper economic growth and responsible taxation has never been an easy one, but at this point in time all Alaskans are suffering due to one of the highest tax packages in the world. I support Governor Parnell's attempts to reconsider the tax structure and strongly urge you to pass legislation that will allow for the immediate and long-term expansion of the Alaskan economy.

We must regain our reputation as a fair and commercially stable place to invest.

Kindest regards,

Ken D. Lambertsen – Alaska District Manager

Linda Hay

From: raydee@mtaonline.net
Sent: Monday, February 21, 2011 9:47 PM
To: Rep. Alan Austerman; Rep. Berta Gardner; Rep. Beth Kerttula; Rep. Bill Stoltze; Rep. Bryce Edgmon; Rep. Carl Gatto; Rep. Charisse Millett; Rep. David Guttenberg; Rep. Eric Feige; Harry Crawford; Rep. Les Gara; Rep. Mark Neuman; Rep. Mike Chenault
Subject: Oil Incentives

Categories: Linda

Hello All: I am not in favor of giving any additional tax incentives, period. I do not believe they have any more coming. I feel
the profits they are taking out of Alaska show they are treated more than fair....In fact they are getting a good deal...Ray

Linda Hay

From: Rep. Paul Seaton
Sent: Monday, February 21, 2011 5:09 PM
To: House Resources
Subject: FW: HB110 PRODUCTION TAX ON OIL AND GAS
Attachments: image001.png

From: Lisa Marquiss [mailto:lmarquiss@carlile.biz]
Sent: Monday, February 21, 2011 4:50 PM
To: Rep. Eric Feige; Rep. Paul Seaton; Rep. Peggy Wilson; Rep. Alan Dick; Rep. Neal Foster; Rep. Bob Herron; 'MEMBER: Representative Munoz Rep.!'; Rep. Berta Gardner; Rep. Scott Kawasaki
Subject: HB110 PRODUCTION TAX ON OIL AND GAS

I would like to express my support for HB 110 increasing throughput in the Trans Alaska Pipeline by reducing oil taxes and making Alaska more competitive.

I work in the trucking/transportation industry. From a business standpoint we have seen a significant decrease in the amount of freight we transport to the North Slope. We don't see loads of pipe going north, mostly repair and maintenance freight. From a personal standpoint I have 3 children that were all born and raised in Alaska. I would like to see that their futures and the future of all Alaskans have opportunities derived from supporting the oil industry.

Please consider supporting HB110 – reduce the taxes and increase production.

Alaska needs to be Open for Business.

Respectfully,

Lisa Marquiss

Lisa Marquiss | Regulatory Compliance Director | Carlile Transportation Systems, Inc. | www.carlile.biz
Office 907-343-3238 | Mobile 907-632-2439 | Fax 907-929-5616 | US DOT 190356| Hazmat 060509 004 11RT

That's how we do it!
Carlile

Linda Hay

From: Rep. Paul Seaton
Sent: Monday, February 21, 2011 5:09 PM
To: House Resources
Subject: FW: HB 110
Attachments: HB110 legislature.doc

From: Jim Scherieble [mailto:jscherieble@kenworthalaska.com]
Sent: Monday, February 21, 2011 4:36 PM
To: Rep. Peggy Wilson; Rep. Eric Feige; Rep. Paul Seaton; Rep. Alan Dick; Rep. Neal Foster; Rep. Bob Herron; Rep. Berta Gardner; Rep. Scott Kawasaki
Subject: HB 110

Please accept my letter of support for HB 110.

Jim Scherieble
General Manager – Alaska
Phone 907-279-0602
Fax 907-258-6639
Cell 907-230-8335
www.kenworthalaska.com

KENWORTH ALASKA
2838 PORCUPINE DRIVE
ANCHAORAGE, AK 99501
(907)279-0602
(907)258-6639 Fax

Monday, February 21, 2011

RE: HB 110

As a concerned Alaskan, who works and has raised his family in Alaska, I strongly urge confirmation on House Bill 110.

Until Alaska develops and markets other energy resources, oil production will remain the lifeline of our state, it's people, and it's commerce. Alaska has a unique opportunity to take charge of it's future with regulations and laws that invite new industry and provides stability to existing businesses.

Times are changing fast. Many states are on the brink of bankruptcy. Those who are successful are those who generate and implement creative ideas and opportunities. North Dakota is one example, and I have three customers who have relocated their businesses there. Alaska must appeal to business partners as a fair and exciting place to invest in.

HB 110 is the first step to make Alaska "Open for Business"

Thank you.

Jim Scherieble

General Manager
Kenworth Alaska

Linda Hay

From: Rep. Paul Seaton
Sent: Monday, February 21, 2011 5:09 PM
To: House Resources
Subject: FW: hb110

From: jessica@a2zalaska.com [mailto:jessica@a2zalaska.com]
Sent: Monday, February 21, 2011 4:34 PM
To: Rep. Paul Seaton
Subject: hb110

Alaska State Legislators,

I am in full Support of Hb110. It makes complete sense that the more expensive or cumbersome the process is here the less likely producers will want to drill here when they can go elsewhere for a better profit. Many Alaskans live in this great state because we have a favorable personal tax climate. If I were to look at moving I would of course consider the local taxes in any given community before making that decision. Why would an oil producer not do the same? Please consider this bill very seriously!

Thank you,

Jessica Dean
PO Box 872331
Wasilla, AK 99687

907-982-0900

Linda Hay

From: Rep. Paul Seaton
Sent: Tuesday, February 22, 2011 8:05 AM
To: House Resources
Subject: FW: House Resources Committee meeting 21Feb11
Attachments: image002.gif; API earnings_perspective_110120.pdf

From: Maynard Tapp [mailto:maynard@hawkpros.com]
Sent: Tuesday, February 22, 2011 8:02 AM
To: Rep. Eric Feige; Rep. Paul Seaton; Rep. Peggy Wilson; Rep. Alan Dick; representative_neil_foster@legis.state.ak.us; Rep. Bob Herron; Rep. Cathy Munoz; Rep. Berta Gardner; Rep. Scott Kawasaki
Subject: House Resources Committee meeting 21Feb11

Dear Committee Chair Representative Feige
CoChair Representative Seaton, And
Committee Members,

Attached is the information I referred to in my testimony regarding the American Petroleum Institute.

Please refer to page 2 of the presentation "Third Quarter 2010 Earnings by Industry (net income/sales)"

This chart compares the "Oil and Natural Gas" net income at 6.0% compared with "All Manufacturing" at 8.6%.

Please recognize that the Oil and Gas industry does not make a significantly higher percentage of net income in comparison with many other industries. This net income is used by our partners in the oil industry to convince their boards of directors to invest in our state.

I support HB110 in its effort to create the environment for investment.

I also want to recognize the excellent work by Representative Hawker, and Speaker Chenault in their efforts to create the investment environment necessary for the continuous revenue stream to our straight.

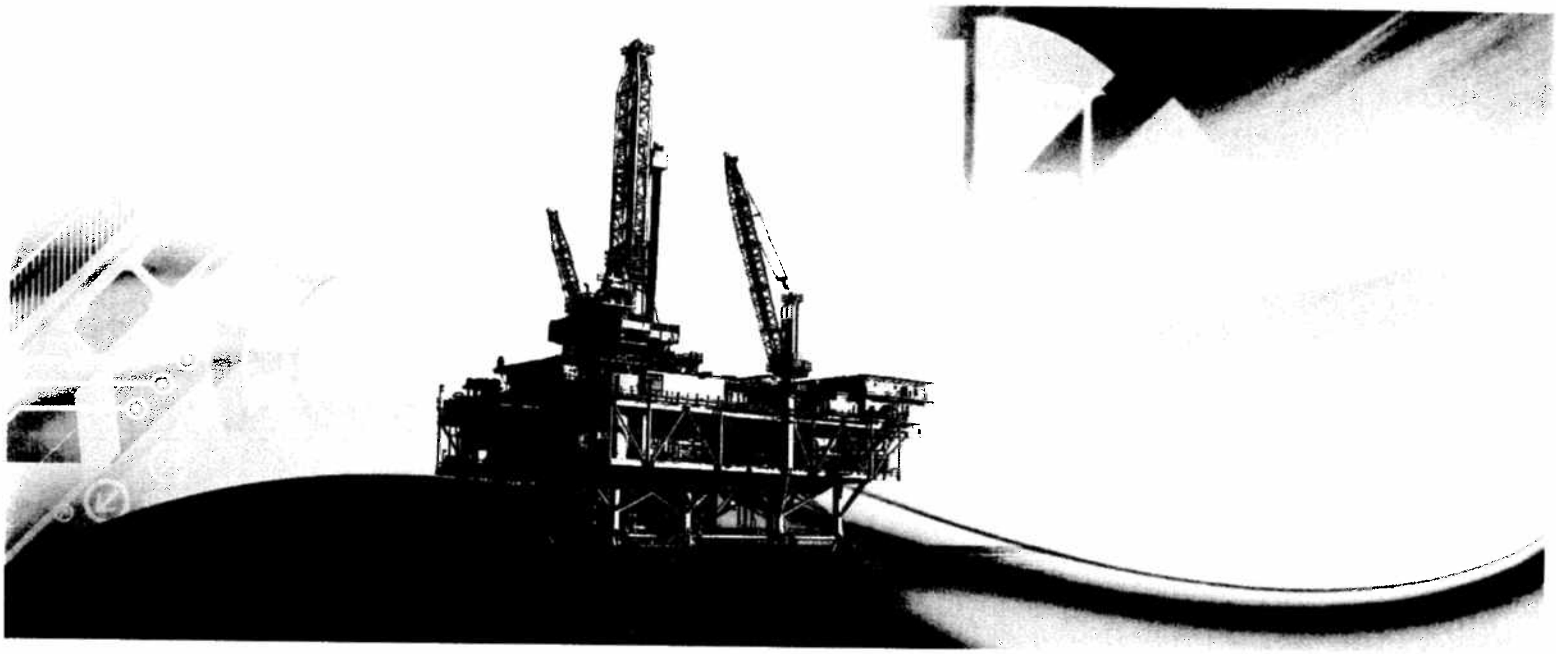
As I said in testimony, the only guarantee I can make is that no dollars taken in taxes will be used for drilling wells to find new sources of oil.

Thank-you for the opportunity to testify.

Regards,
Maynard

Maynard V. Tapp
Managing Member
HAWK CONSULTANTS LLC
maynard@hawkpros.com
(907)278-1877 office
(907)278-1889 fax
(907)223-3677 cell
http://www.hawkpros.com

America's Oil and Natural Gas Industry



Putting Earnings into Perspective

Facts for Addressing Energy Policy

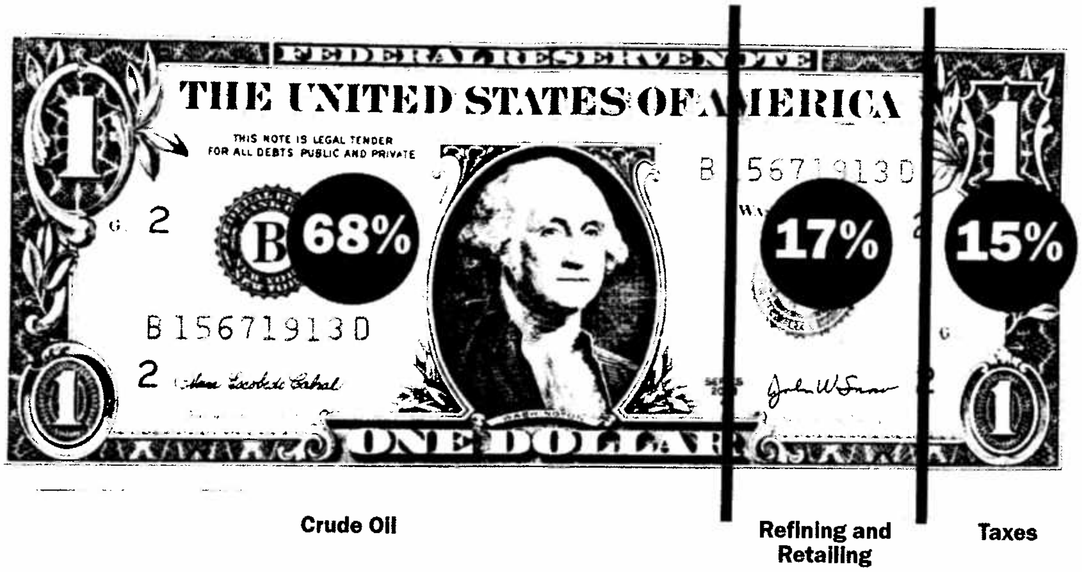
January 20, 2011

For the latest report, please visit **www.api.org/aboutoilgas**

The oil and natural gas industry is massive because it has to be to effectively compete for global energy resources. The industry's earnings make possible the huge investments necessary to help ensure America's energy security. The earnings allow companies to reinvest in the facilities, infrastructure and new technologies that keep America going strong well into the future while generating returns that meet shareholder expectations. API has assembled this primer to help consumers and policymakers better understand how the earnings of the oil and natural gas industry compare with other industries, who benefits, and where the money is going.

Table of Contents

What Consumers are Paying for at the Gasoline Pump

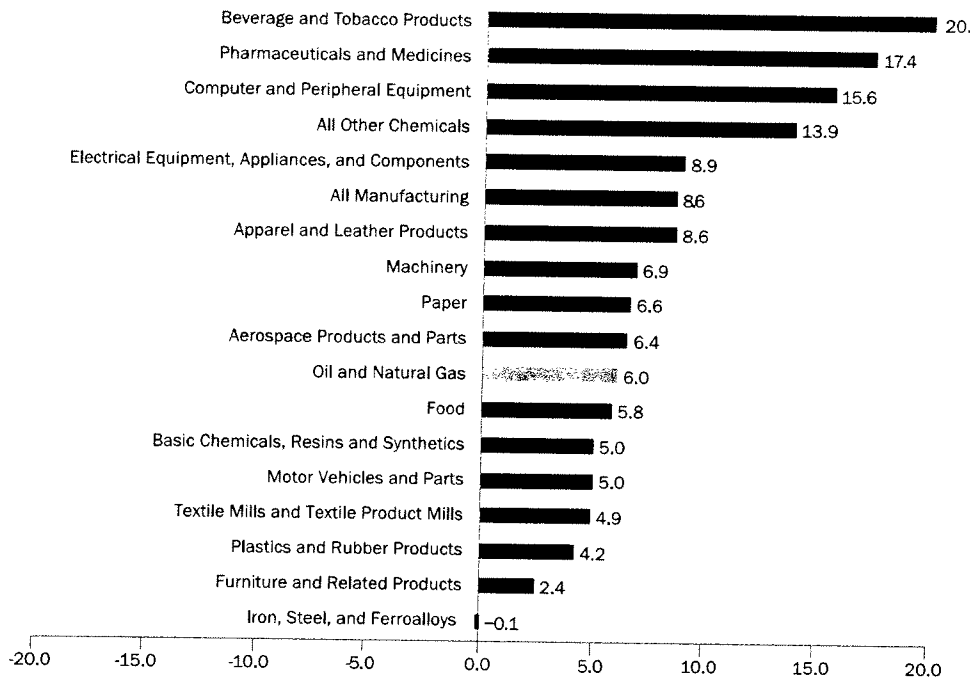


Source: Average of gasoline components from January through November 2010 as reported by EIA.

Pump prices: A fractional story.

The biggest single component of retail gasoline prices is the cost of the raw material used to produce gasoline – crude oil. For example, for the first 11 months of 2010, crude oil alone made up 68 percent of the price to consumers at the gasoline pump. Refining the crude oil into gasoline and retailing added another 17 percent to the retail price of gasoline. Excise taxes accounted for 15 percent of the price of gasoline.

Third Quarter 2010 Earnings by Industry (net income/sales)



Sources: Based on company filings with the federal government as reported by U.S. Census Bureau and *Oil Daily*.

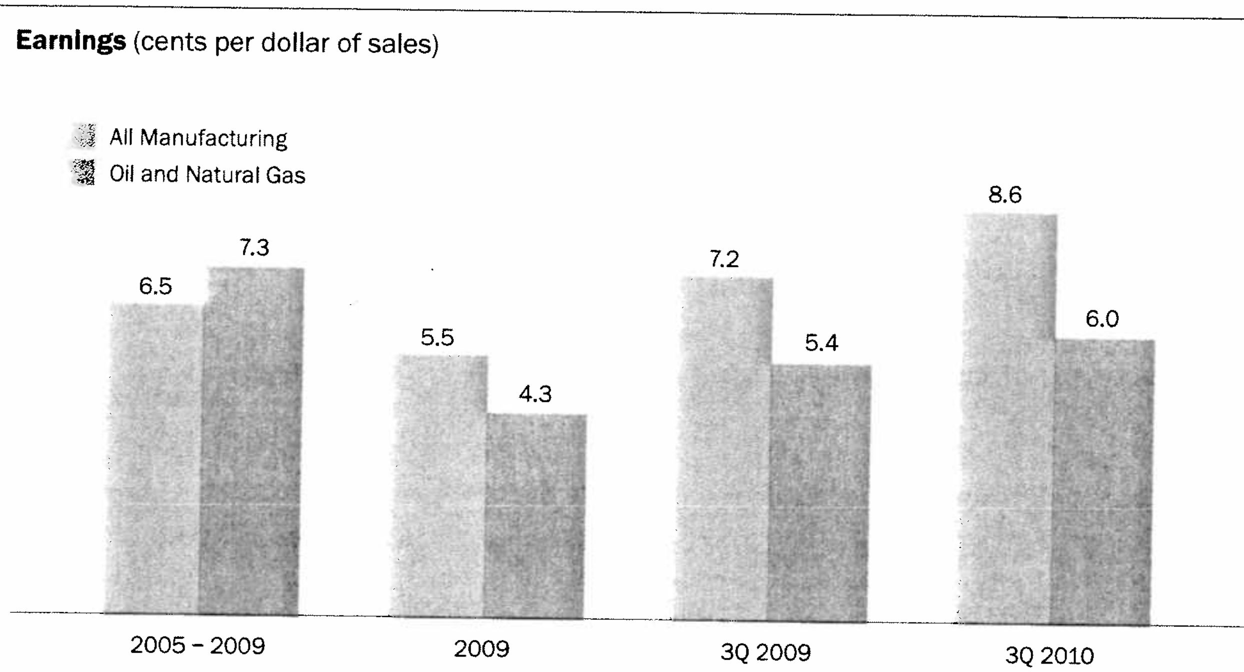
Earnings: How do they compare?

It may seem surprising that oil and natural gas earnings are typically in line with the average of other major U.S. manufacturing industries. This fact is not well understood, however, in part because reports usually focus on only half the story – the profits that are earned.

Profits reflect the size of an industry, but they're not necessarily a good reflection of financial performance.

Profit margins, or earnings per dollar of sales (measured as net income divided by sales), provide one useful way to compare financial performance among industries of all sizes.

The latest published data for third quarter 2010 shows the oil and natural gas industry earned 6 cents for every dollar of sales in comparison with all manufacturing, which earned 8.6 cents for every dollar of sales.



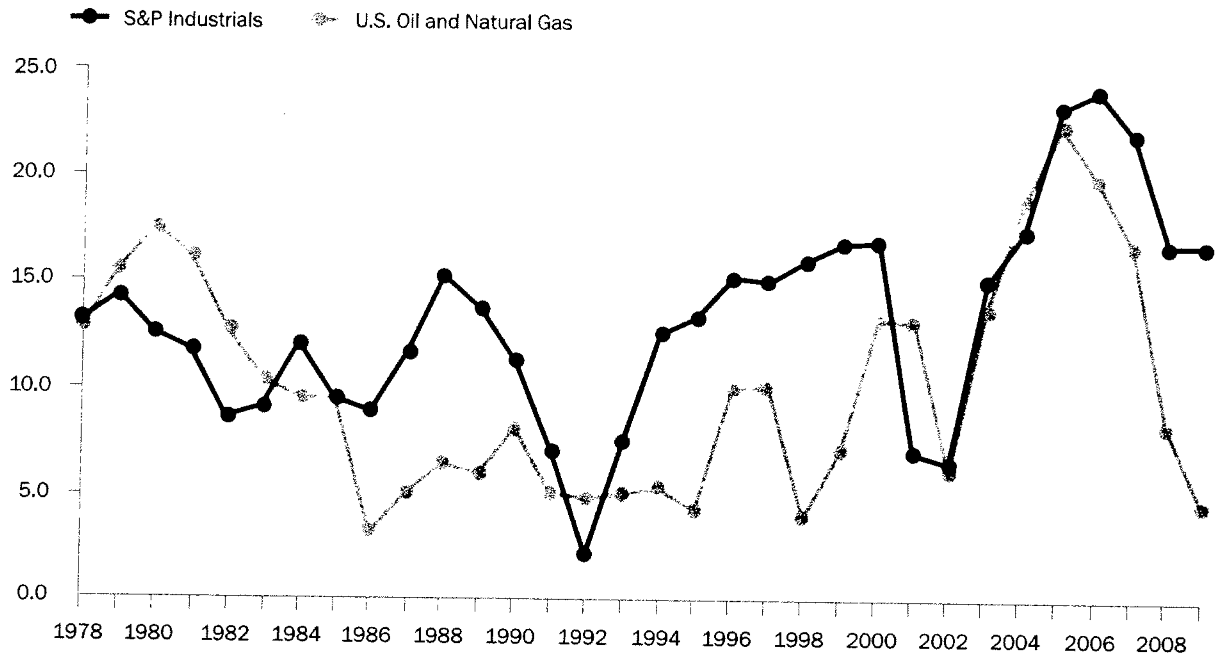
Source: U.S. Census Bureau for U.S. manufacturing and *Oil Daily* for the oil and natural gas industry.

Earnings: Keeping America going strong.

Over the last five years, average earnings for the oil and natural gas industry have been well in line with the rest of the U.S. manufacturing industry, averaging about 7 cents for every dollar of sales. That average was just over 5 cents on the dollar for the oil and natural gas industry by the third quarter of 2009 as a result of the downturn of the U.S. economy. By the third quarter of 2010 earnings rebounded as the U.S economy continued to recover.

Like other industries, the oil and natural gas industry strives to maintain a healthy earnings capability. It does so to remain competitive and to benefit its millions of shareholders, across the country and in all walks of life. Healthy earnings also allow the industry to invest in innovative technologies that improve our environment and increase production to keep America going strong – even as it leads the search for newer technologies, and new sources of energy that will provide a more secure tomorrow.

Return on Investment (net income/net investment in place)



Source: EIA, *Performance Profiles of Major Energy Producers*, Table T1 (S&P 1978 – 2003; Oil and Natural Gas 1978 – 2008) and Standard & Poor's, Compustat North America Database, June 2010 update (S&P 2004 – 2009; Oil and Natural Gas 2009).

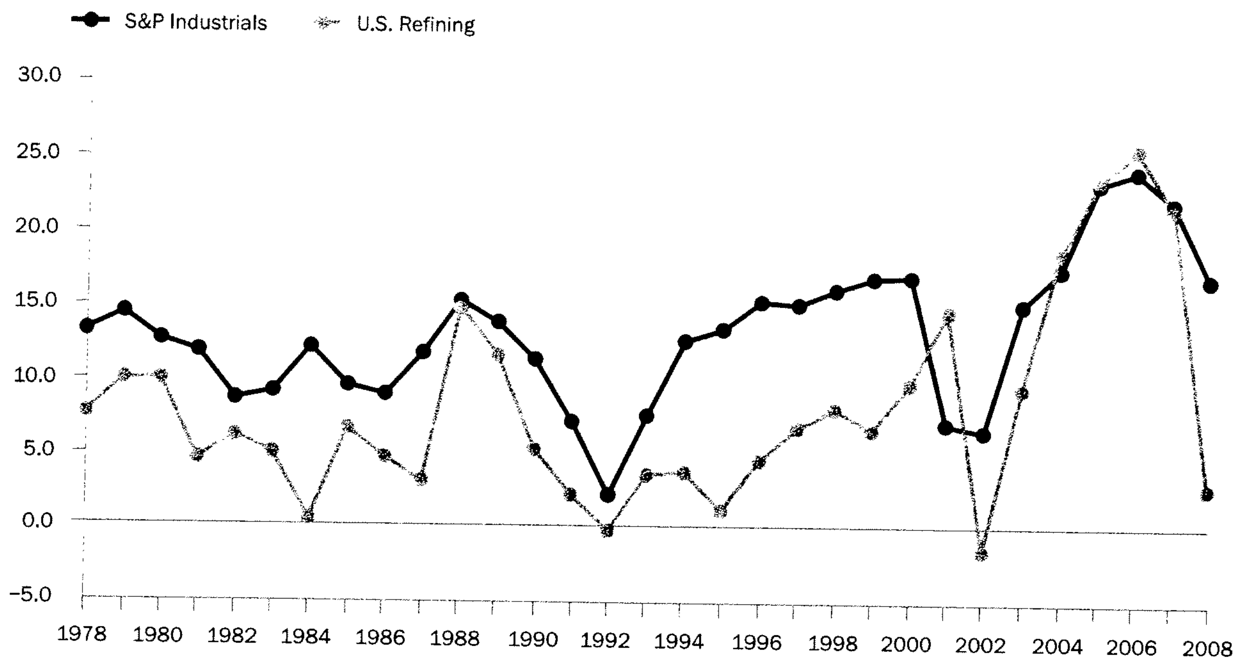
The return on investment for the industry turned sharply lower than the returns for the S&P Industrials during the recent downturn in the economy.

Because the oil and natural gas industry is massive and requires huge investments, its earnings contribute greatly to the American economy and way of life. They allow companies to reinvest in the facilities, infrastructure and new technologies that keep America going strong well into the future while generating returns that meet shareholders' expectations.

The oil and natural gas industry is probably one of the world's largest industries. Its revenues are large, but so are its costs of providing consumers with the energy they need. Among those are the cost of finding and producing oil and natural gas and the costs of refining, distributing and marketing it.

These costs remain huge, regardless of whether earnings are high or low – as was the case throughout most of the 1990s and during other industry downturns over the past five years, including the current one. The return on investment (net income/net investment in place) for the oil and natural gas industry has been sharply lower than the returns for the S&P industrials.

Return on Investment (net income/net investment in place)



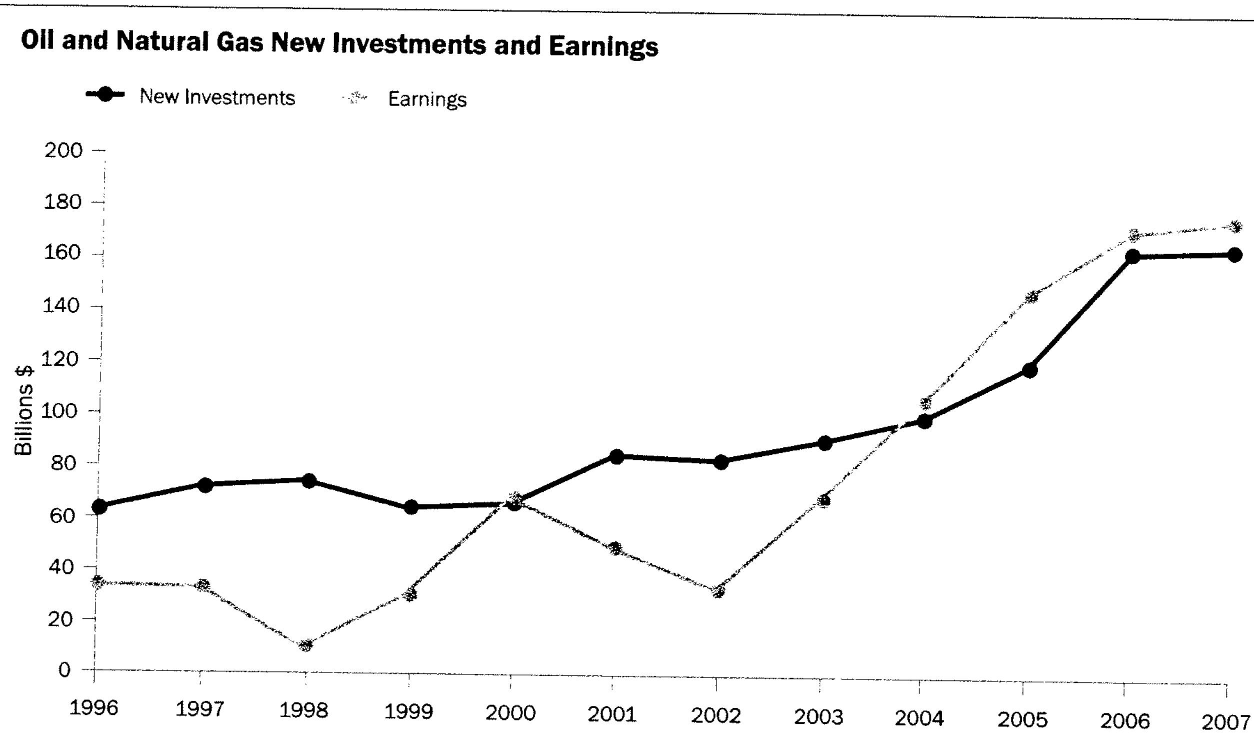
Source: EIA, *Performance Profiles of Major Energy Producers*, Table Cy 8 various issues and 2007 S&P figure compiled by PWC from Compustat data.

Refining investments and returns.

Investments in new capacity and improved technologies have enabled U.S. refiners to produce record amounts of fuels for consumers. However, for many years the rate of return on investment in U.S. refining lagged behind the returns for the S&P Industrial average. Refiners need to continually invest, and do so even when earnings are lower.

While no new refineries have been built since 1976, the industry has added the equivalent of one new average-sized refinery each year over the last decade. Since 1985, refining capacity has increased by 13 percent even though we have 73 fewer refineries. It has been more efficient to expand at existing refineries because the infrastructure to bring crude in and get products out is in place, the permitting process is quicker, and it is more cost-effective to add on to a refinery versus building a new one. In addition, the elimination of subsidies under the government price and allocation controls in 1981 led to the closure of many smaller, less efficient refineries throughout the 1980s and 1990s.

Capacity has increased while at the same time, refineries invested $108 billion since 1990 to make the cleanest burning fuels in the world. Much of the investments were in technologies to meet stringent clean air standards set by the Clean Air Act of 1990.



Source: Ernst & Young.

How investments today pay off tomorrow.

Today's earnings are reinvested for tomorrow's energy needs. The energy Americans consume today comes from industry investments made years or even decades ago.

Between 1996 and 2007, the U.S. industry invested more than $1.2 trillion in a range of long-term energy initiatives compared to net income or earnings of $974 billion.[1]

1 Net income is generally lower than cash flow due to deductions for past and current tangible investment and depletion of oil resources.

Capital Spending (Where Funds Will Go for U.S. Projects)

	2010 ($ million)	% Change 2010-2009	2009 ($ million)	% Change 2009-2008	2008 ($ million)
Exploration/Production					
Drilling/Exploration	162,703	0.5	161,961	-32.4	239,646
Production	30,914	0.5	30,773	-32.4	45,533
OCS Lease Bonus	2,050	155.9	801	-88.4	6,882
Subtotal	**195,667**	**1.1**	**193,535**	**-33.7**	**292,061**
Other					
Refining	5,300	-47.7	10,140	-22.0	13,000
Petrochemicals	80	60.0	50	-95.0	1,000
Marketing	2,730	40.0	1,950	-35.0	3,000
Crude and Products Pipelines	7,724	-15.2	9,104	105.5	4,431
Natural Gas Pipelines	2,584	-78.3	11,907	87.7	6,343
Other Transportation	950	13.1	840	-30.0	1,200
Mining, Other Energy	1,000	11.1	900	-25.0	1,200
Miscellaneous	4,000	6.7	3,750	-25.0	5,000
Subtotal	**24,368**	**-36.9**	**38,641**	**9.9**	**35,174**
Total	**220,035**	**-5.2**	**232,176**	**-29.0**	**327,235**

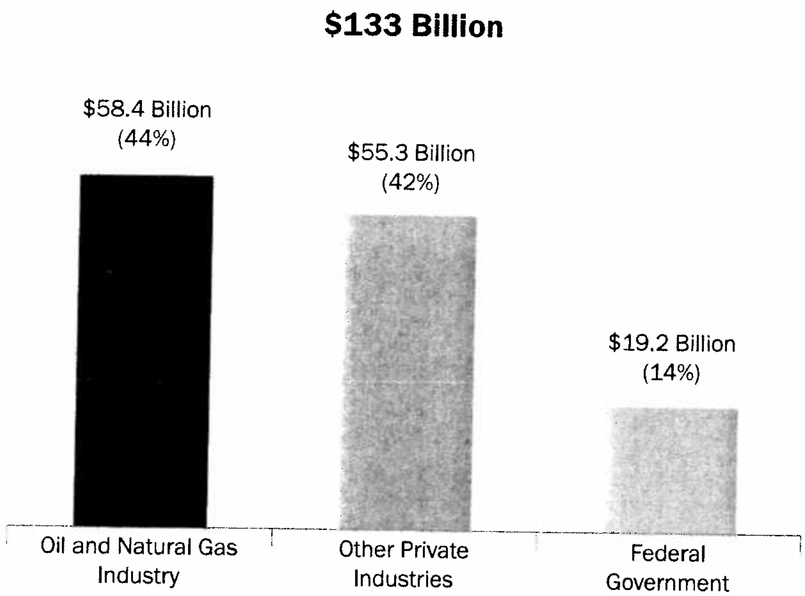
Source: *Oil & Gas Journal,* March 1, 2010.

To understand the oil and natural gas industry one must recognize it as an industry characterized by long lead times, massive capital requirements and returns realized only decades later in the face of very real investment risks.

Significant oil and gas discoveries that are announced today often result from investments begun by companies as far back as a decade or more ago. Since the year 2000, our industry invested over 1.7 trillion dollars in U.S. capital projects to meet the growing demand for oil and natural gas. However, the worldwide economic downturn, along with lower oil and natural gas prices and tight credit markets, have caused some oil and natural gas producers to cut their capital budget plans since 2008.

Planning and investment cannot be turned on and off like a spigot, without entailing huge, potentially non-recoverable costs and delaying urgently needed projects. Because the industry must plan and operate under these long lead times, it is hypersensitive to minimizing risk over the course of its investments. It is crucial for an industry that must manage such huge risks that government provide an energy policy and tax framework that encourages investment, rather than discourages it.

Carbon Mitigation Investment by Investor Group (2000-2008)



Source: T2 & Associates and CEE, June 2009.

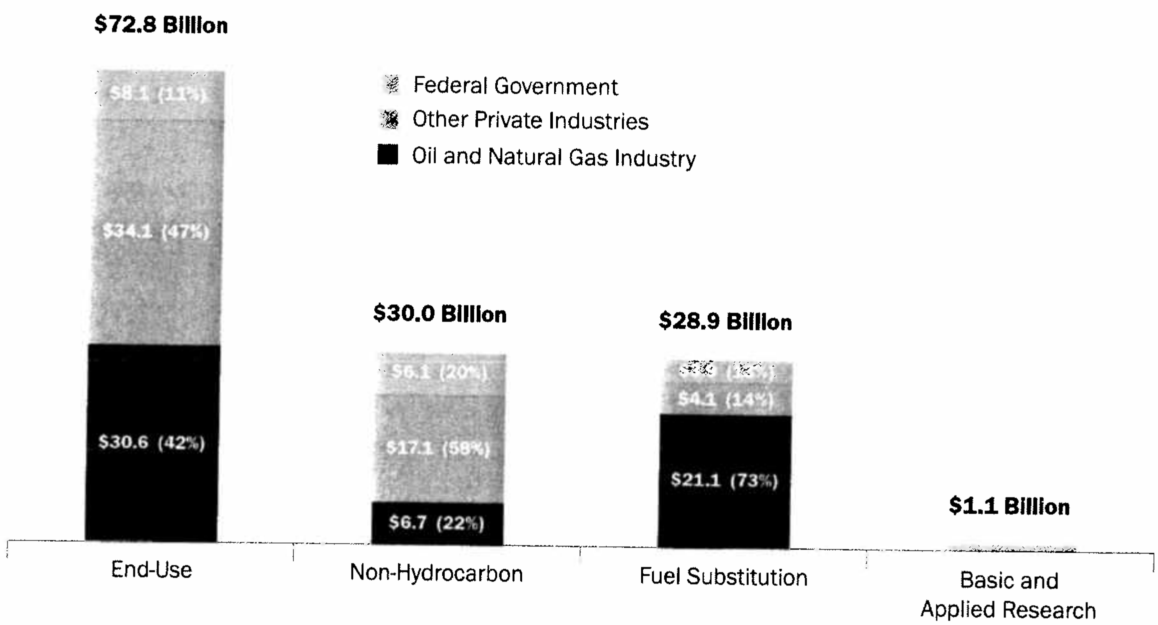
The U.S. oil and natural gas industry is spending billions of dollars developing new advanced energy technologies to reduce greenhouse gas emissions and meet future energy needs.

The oil and natural gas industry is hard at work meeting today's energy needs and developing next-generation forms of energy. Between 2000 and 2008, the industry invested more than $58 billion in new low-and-zero emissions technologies. This represents 44 percent of the $133 billion spent by all U.S. industries and the federal government combined. These large investments are critical to provide the low-carbon energy we will need in the years ahead.

U.S. oil and natural gas companies are pioneers in developing alternatives and expanding America's use of virtually every form of energy – from geothermal to wind, from solar to biofuels, from hydrogen power to the lithium ion battery for next-generation cars.

This industry is also at the forefront of developing "carbon capture and storage" technology, or CCS, to reduce carbon dioxide (CO_2) emissions by storing them underground. In order for CCS to advance much more needs to be done. A legal and regulatory framework for long-term CO_2 storage is still lacking. The use of CCS would facilitate the continued use of our nation's vast coal and frontier hydrocarbon resources in an environmentally-friendly way.

Carbon Mitigation Investments by Technology and Investor Group (2000-2008)



Source: T2 & Associates and CEE, June 2009.

Oil and natural gas companies are taking action now to reduce greenhouse gas emissions and investing in the technologies and fuels that will reduce them even more in the future.

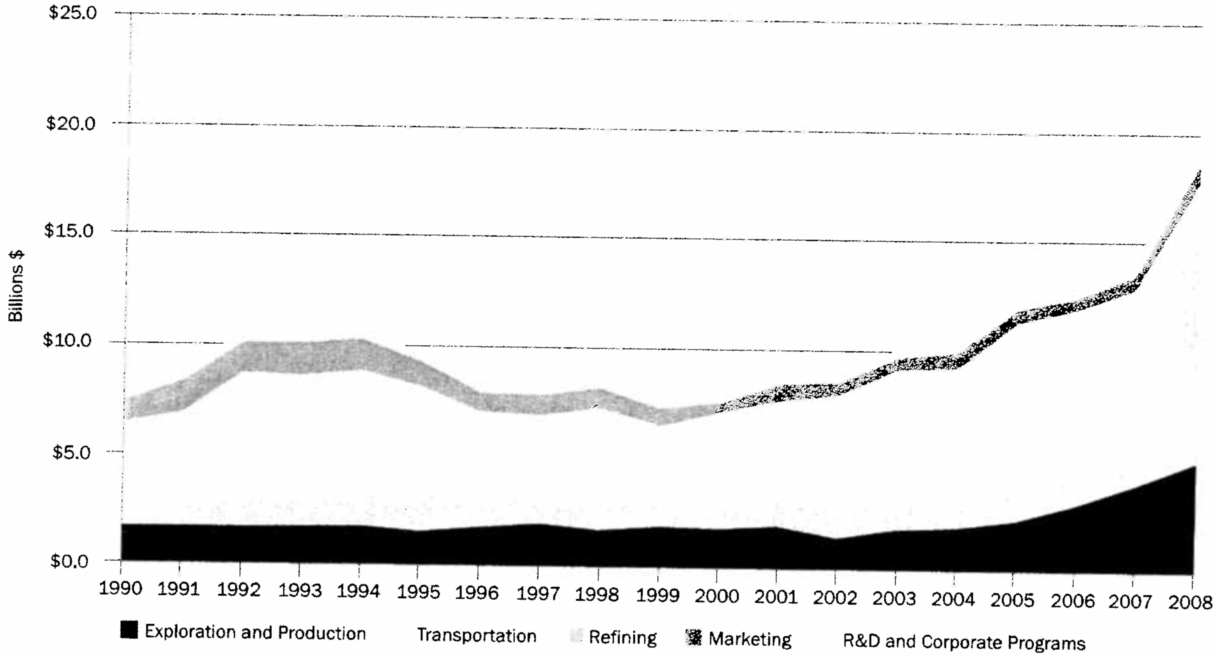
End-Use: America's oil and natural gas companies are investing in efficiency improvements and alternatives and are advising companies in other industrial sectors how to use energy more efficiently. Through such end-use technologies as combined heat and power – using excess heat from refinery processes to produce additional energy – refiners are becoming more energy efficient, reducing both energy use and emissions. In one year alone, the energy savings from improving refinery energy efficiency was equivalent to taking over half a million cars off the road.

Between 2000 and 2008 the industry invested over $30 billion in end-use technologies, including advanced technology vehicles, efficiency improvements, combined heat and power, gas flare reduction technologies and carbon capture and sequestration. This represents approximately 42 percent of all the investments made in these technologies in North America.

Non-hydrocarbon: We are a major provider of the green jobs that are in the news today. The oil and natural gas industry accounts for 22 percent of all the investments made in North America in non-hydrocarbon fuels since 2000. The industry's top investments are in wind and biofuels. Expenditures were also made in solar, geothermal, and landfill digester gas.

Fuel Substitution: The oil and natural gas industry has spent over $21 billion developing substitute and less carbon intensive fuels, such as liquefied natural gas and reducing methane fugitive emissions. This investment in fuel substitution technologies represents 73 percent of the total invested in this technology class.

U.S. Environmental Expenditures since 1990 (by sector*)



*Remediation & Spills expenditures are included in the sector numbers and are reported data only. The remaining sector expenditures are estimated for the entire industry.
Source: API Statistics, Environmental Expenditures by Oil and Gas Industry, February 2010.

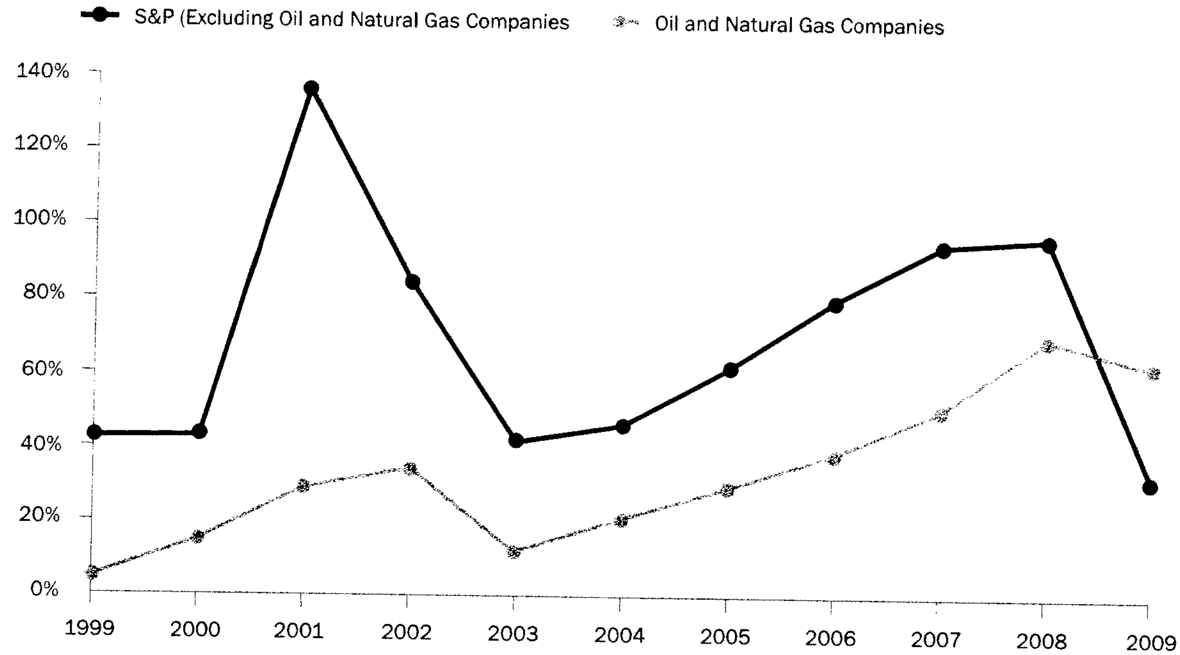
Decades of investments of hundreds of billions of dollars have been made by the oil and natural gas industry to protect the environment and improve the performance of its products, facilities and operations.

The U.S. oil and natural gas industry has invested $194 billion since 1990 toward improving the environmental performance of its products, facilities and operations; $639 for every man, woman and child in the United States.[2]

In the year 2008 alone, $19 billion was spent on the environment; $17.4 billion was spent implementing new technologies, creating cleaner fuels and funding ongoing environmental initiatives. An additional $1.9 billion went toward research and development, corporate environmental programs and spill remediation efforts.

2 Based on 2008 U.S. population estimate of 304.1 million by U.S. Census Bureau.

Stock Repurchases as a Share of Net Income



Source: Compustat North America Database, June 2010 update.

Adding value for shareholders.

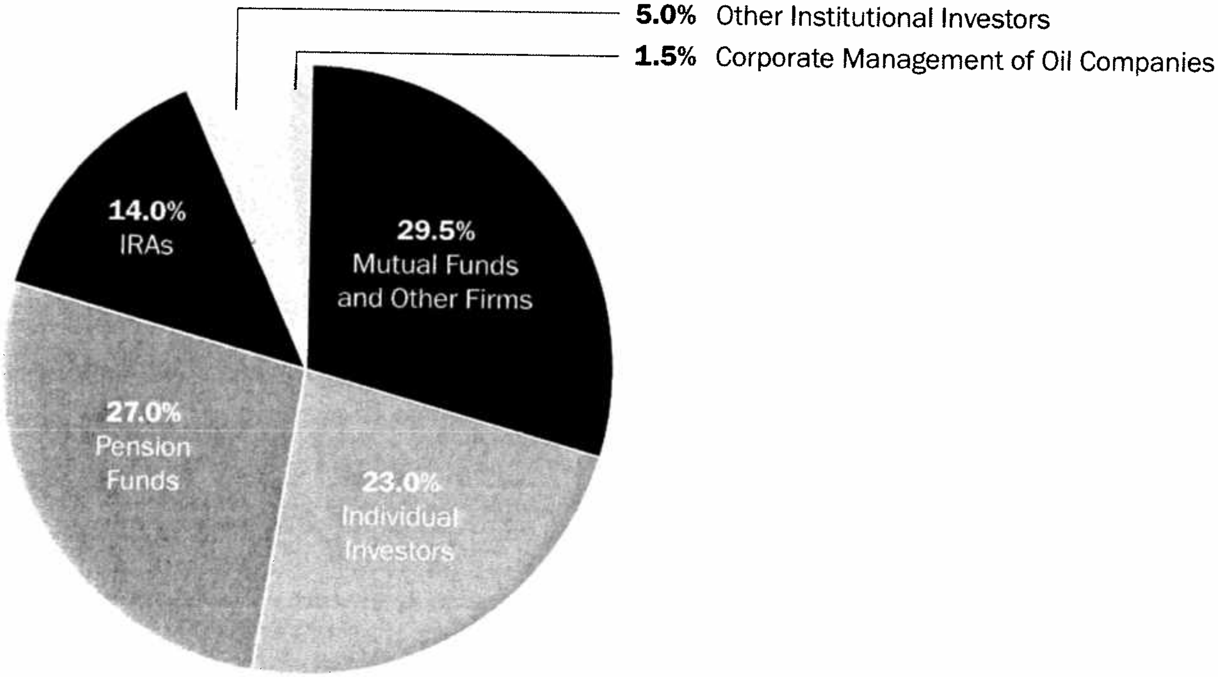
The oil and natural gas industry is very capital intensive and devotes the largest share of its earnings to add new property, plant and equipment to its upstream and downstream operations.

When companies repurchase stock, they are supporting the equity value of the company. This in turn helps the owners of the companies – retirees, future retirees and millions of Americans who have invested their earnings in a secure future.

It is the responsibility of company officials to build value for shareholders; one way to do this is through stock repurchases. Earnings are also used for paying dividends which additionally benefit shareholders.

While the share of stock repurchases in the oil and gas industry has increased in recent years, it has averaged nearly half of that for the S&P industrial group. For the last 11 years, the oil and gas industry spent 39 percent of net income on stock repurchases while the rate for the S&P industrials was 65 percent.

Who Owns "Big Oil?" (Holdings of Oil Stocks, 2007)



Source: *The Distribution of Ownership of U.S. Oil and Natural Gas Companies*, SONECON, September 2007.

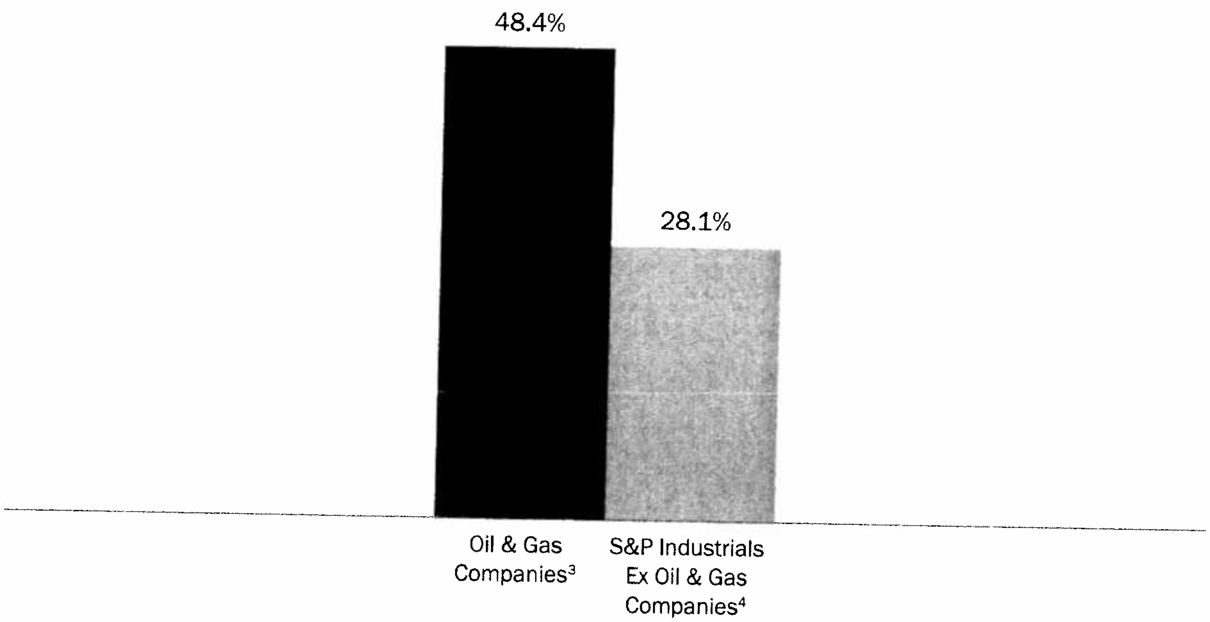
Who owns "Big Oil"?

Contrary to popular belief, and what some politicians might say, America's oil companies aren't owned just by a small group of insiders. Only 1.5 percent of industry shares are owned by corporate management. The rest is owned by tens of millions of Americans, many of them middle class.

If you're wondering who owns Big Oil, chances are good the answer is "you do." If you have a mutual fund account, and 55 million U.S. households do, there's a good chance it invests in oil and natural gas stocks. If you have an IRA or personal retirement account, and 45 million U.S. households do, there's a good chance it invests in energy stocks.

When politicians talk about taxing "Big Oil" or taking their "record profits," they should think about who would they really be hurting.

Income Tax Expenses as Share of Net Income Before Income Taxes (2009)



Source: Compustat North America Database (January 2010 update).

U.S. oil and natural gas companies pay considerably more in taxes than the average manufacturing company.

An important part of the revenue earned by U.S. oil and natural gas companies goes to taxes. The industry's 2009 income tax expenses (as a share of net income before income taxes) averaged 48.4 percent, compared to 28.1 percent for the S&P Industrial companies.

As one would expect with such a high effective rate, the U.S. oil and natural gas industry pays a substantial amount in income tax. According to EIA, during the three-year period from 2006-2008, the major energy producing companies paid or incurred over $280 billion of income tax expense.[5]

3 Oil and gas extraction (NAICS 211) and petroleum refining (NAICS 32411).

4 Excludes companies engaged in oil and gas extraction (NAICS 211) and petroleum refining (NAICS 32411).

5 Energy Information Administration, *2008 Performance Profiles of Major Energy Producers*, December 2009. These 27 companies accounted for 41 percent of the total U.S. crude and NGL production, 43 percent of natural gas production, 77 percent of U.S. refining capacity and 0.2 percent of U.S. electricity. These companies include: Alenco, Anadarko Petroleum, Apache, BP America, Chesapeake Energy, Chevron, CITGO Petroleum, ConocoPhillips, Devon Energy, El Paso, EOG Resources, Equitable Resources, ExxonMobil, Hess, Hovensa, Lyondell Chemical, Marathon Oil, Motiva Enterprises, Occidental Petroleum, Shell Oil, Sunoco, Tesoro Petroleum, The Williams Companies, Total Holding USA, Valero Energy, WRB Refining, XTO Energy.

For more information, please visit

www.energytomorrow.org

www.api.org

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JOHN R. BEDINGFIELD
Vice President - Worldwide Exploration and New Ventures

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DIRECT (713)296-6416
FAX (713)296-6451

March 8, 2011

The Honorable Eric Feige, Co-Chair
The Honorable Paul Seaton, Co-Chair
House Resources Committee
Alaska State House of Representatives
State Capital
Juneau, Alaska 99801-1182

Dear Chairmen Feige and Seaton:

Thank you for the invitation to appear before the Alaska State House Resources Committee to offer testimony regarding our company and comment on the proposed oil and gas tax legislation before you. I regret I am unable to appear before you personally. I hope you find the comments we provide useful in your deliberations and would entertain any questions my testimony may generate.

Company Background

Established in 1954, Apache Corporation (Apache) has grown to become one of the world's top independent oil and gas exploration and production companies with over $29 billion in assets. In August 2010 Apache acquired almost 200,000 acres of State oil and gas leases in Cook Inlet primarily from Daniel Donkel and Samuel Cade. Since then Apache has picked up additional acreage from the Alaska Mental Health Trust bringing our Cook Inlet acreage to approximately 300,000 acres. The attached map shows the Apache acreage highlighted in yellow.

Investment Decisions

In making decisions on investments there are a number of criteria Apache takes into consideration. Specifically when we looked at Alaska what made investment attractive is that it has been sparsely explored and new technology will help find new reserves that can be produced more efficiently. Another factor is the percent of profit available on a barrel of oil after taxes, royalty and costs. There are incentives available in Cook Inlet as well as the tax structure makes it attractive. Conversely, the North Slope is expensive due to the operating environment and a different tax structure.

Cook Inlet Exploration

Apache's objective in acquiring the Cook Inlet leases is to explore for oil. Permit applications were submitted in November 2010 to conduct a 2D seismic technology test using a new Nodal technology. All the necessary permits were issued earlier this week with the seismic work to be completed in March 2011 in Cook Inlet's West Forelands. Apache has begun conversations with the stakeholder groups and regulatory agencies about the 3D seismic program to commence in the fall 2011. We will spend approximately one year doing seismic exploration on the Apache leases that stretch from Wasilla to Anchor Point. After analysis of the seismic data we will then be in a position to determine where to undertake exploratory drilling.

One of the many questions Apache has been asked is why are we interested in Cook Inlet. With the discovery of oil on the North Slope in the late 1960's the companies that were operating in Cook Inlet moved north. We believe there is significant untapped oil potential in the region and the incentives offered by the State of Alaska are attractive. Those two reasons compound with a skilled workforce and stable government make Cook Inlet attractive.

Alaska Oil and Gas Tax Structure

In addition to looking for acreage in Cook Inlet, Apache has examined opportunities to make investments on the North Slope. We have made the decision to focus our efforts in Cook Inlet for now in part due to the oil and gas tax structure embedded in the North Slope fields. Specific areas of concern include:

- High tax rate
- The progressivity surcharge
- Lack of incentives and tax credits

The base tax rate for the North Slope is 25%. Governor Sean Parnell's House Bill 110 proposed to lower this rate to 15% for areas outside of current fields or units not in commercial production prior to December 31, 2010. This is a step in the right direction to encourage companies, like Apache, to invest.

There are a number of issues surrounding the progressivity surcharge. One, it is regressive. Once a company makes more than $30 barrel the company is charged at the 25% tax rate PLUS they are charged for every single dollar over the $30, a form of double taxation.

Governor Parnell's proposal for capping the progressivity tax at 50% rather than the current 75% provides some of the uplift needed to encourage companies to take the risk. Also proposed is moving to an annual calculation versus today's monthly calculation. An annual calculation synchronizing revenues with expenses would more accurately reflect the philosophy behind the progressivity feature.

If incentives are going to be provided then it should apply to all new oil associated with new field development and exploration. Equally it should apply to new oil arising from existing producing fields using in-field drilling, secondary recovery and tertiary recovery techniques. Apache would encourage you to include incentives for all new oil.

In May 2010 the Cook Inlet Recovery Act included tax credits to incentivize and encourage further exploration. Apache would encourage the Alaska State Legislature to apply these same credits to all regions undertaking oil and gas exploration and development in Alaska.

Again, I apologize that I am unable to attend your hearing in person. Should you have questions please feel free to contact me.

Sincerely yours,

JR Bedingfield

John R. Bedingfield
Vice President, Worldwide Exploration and New Ventures
APACHE CORPORATION

My name is Phil Kromm.

I am a 15 year line haul driver from Fairbanks with Carlile Transportation. We have 650 employees with families. I also work in safety, recruitment, training and driver retention. My home is in Fairbanks along with my wife, a 6 and 3 yr old sons.

When I am driving my 18 wheeler it is usually on the Haul Road taking goods to the slope. We are a carrier that moves all types of goods. I love my job and am excited to have the opportunity to share with you some of my thoughts and concerns about the situation Alaska, our local companies and people are in right now.

I have firsthand knowledge of the work slow down on the North Slope and the effects it has on us all. The volume of business that was there a few years ago has declined, significantly.

It is obvious there is less pipe going up the road. Specifically less drill stem which is used for exploration. There is also a considerable reduction in loads of construction supplies. When I say construction supplies I am talking about everything from lumber provided by Spenard Builders Supply to heavy equipment from Construction Machinery. These items are just not moving – and it is not just Carlile that is feeling the pain, it is all of the oil and gas providers and contractors. And if you think just because you work for a non oil and gas provider you are not feeling the pain – that is simply not true. When my paycheck isn't as large as it was, something has to give. That is probably going to be less trips to the local coffee stand or dinner out with my family. If you are in Alaska, you are feeling the pain.

Here is another example; Carlile hires about 30 additional people in Prudhoe over the winter, just to move stuff around between the fields on the slope. The last couple of years – no additional folks hired for the slope. The work just isn't there – that is 30 families without a job, just at Carlile alone. That is a significant loss when you start adding it up.

The guys and gals that do still have a job are just scraping by as over- time is almost nonexistent. The work that was there in the past isn't available. Drivers are looking for loads to make a paycheck. We have personally seen drivers that can't stay busy enough here and have left for work in other places. Right now, the Dakotas are a big draw for drivers. It's less expensive to live there, the jobs pay well and they can stay busy. Alaska is losing jobs and good employees, because business is declining!

Conversations on the road are less about planning a vacation and enjoying their free time and are more about higher cost of living accompanied with how to make ends meet accompanied with talk about fewer loads, less traffic, less drivers, less money and most of all, a nervous sense about the future of our state. Alaska need to be competitive in-order to keep our workforce here, create opportunities for jobs and keep investment circulating here at home. My fellow drivers and I want to stay busy, we want to haul drill pipe, we look forward to the ice roads season and it's exciting to see a new man camp being moved up to the Slope – not moved off the slope to take to North Dakota. With your help and cooperation development and stable investment climate can happen.
Please do it – for Alaska.

Thank you for taking the time to hear from me on this important issue.

UltraStar
EXPLORATION, LLC

January 28 2011

The Honorable Sean Parnell
Governor, State of Alaska
Alaska Capitol Building, Third Floor
P.O. Box 110001
Juneau, AK 99811-0001

Re: B No. 49 and HB No. 110

Dear Governor,

Thank you and the Administration for stepping into the lead to make Alaska a more exploration and production friendly place to do business. I have read the subject bills, but before I comment on them, I'd like to introduce UltraStar. I know you are quite familiar with the principals in UltraStar, but some of the copied recipients of this letter may not know us as well as you, so I beg your indulgence to write a paragraph about our little company.

UltraStar was formed in 2001 by Dale Lindsey of Seward, John Winther of Petersburg, and me. Dale was born and raised in Seward, and he and his widow, Carol, built a small fuel delivery service into the largest marine and land fuel distributor in the State. John was born in Fairbanks, raised in Juneau, and now lives in Petersburg, from where he manages a fleet of longliner vessels that fish cod and black cod in the Bering Sea and Gulf of Alaska. I was born and raised in the oilfields of Wyoming, and worked in project engineering, construction, and operations and executive management for ARCO for 30 years, 20 of which were spent working in various capacities on Prudhoe Bay, Kuparuk, Lisburne, Pt. McIntyre and West Sak. I moved my family to Anchorage in 1985. UltraStar's business plan is to acquire North Slope Leases close to existing infrastructure, develop projects on the leases, and prove up commercial reservoirs with the drill bit. To my knowledge, we are the only 100% Alaskan owned company that has drilled wells on the North Slope. We have another well and sidetrack planned for the first quarter of next year.

I am pleased to add UltraStar's name to the growing list of independents that support your efforts to change ACES. We firmly support both SB 49 and HB 110. Both not only lower marginal tax rates, but eliminate the requirement that credits be paid over a two year period, which goes a long way toward "leveling the playing field" for start-up companies like ours with no current production.

3111 C Street, Suite 500
Anchorage, Alaska 99503

907-258-2969
Fax: 907-258-5092

As much as we like the direction these pieces of legislation are going, we feel that if ACES is going to be re-opened, one other issue should be addressed, and that is the Small Producer Credit. This is a credit of $12 million per year for companies producing less than 50,000 barrels of oil equivalent per day, and is due to sunset in 2016. My suggestion is to recognize the lead times associated with finding, developing and producing reserves on the North Slope, and extend that sunset date. First, we must acquire leases, then seismic, then evaluate the seismic and develop drillable prospects. If the drilling finds commercial quantities of oil, then facility access terms and conditions need to be negotiated and established with the owners of the likely production facility where the oil, gas and water will be processed, and roads will likely need to be built and the well(s) need to be connected to that facility. If the commercial accumulation is large enough, stand alone facilities may be a more appropriate approach to get production on line. Finally, some how or another, production can commence, and the cash flow meter can start (hopefully) turning the other way, or at least slow down. Unfortunately, UltraStar has yet discovered commercial oil, but it has taken an average of 6 years per well to get to the point where we were drilling.

Rather than have a specific year when the Small Producer Credit provision expires, I recommend that it stay in place for each reservoir or unit until payout of the exploration, delineation and development costs necessary to get oil flowing. I believe this would be a much stronger incentive than a date certain year. New leases acquired last year have no chance of realizing this credit.

Lastly, it mystifies me why some in the Legislature want to take all the precious time in this short session having studies done to determine the competitiveness of Alaska. The major producers have had those studies done, probably by the same consultants the Legislature would use, and the answer given to the Legislature by the same consultants will be the same as the conclusions given to the major producers—Alaska is DEAD LAST in the world. I can't speak for the major producers, but my guess that any one or all of them will be willing to share the details of the studies they commissioned with any Legislator who has an interest.

Thanks again for jumping out front on this issue that is so important for jobs and stabilized oil production in the State.

Very Truly Yours,

Jim

James D. Weeks`
Managing Member

Distribution: Page 3

From: Ed Kerr [ed@armstrongoilandgas.com]
Sent: Thursday, February 17, 2011 9:13 AM
To: Louie Flora; Linda Hay
Subject: HB 110

Categories: Red Category

TO: The Honorable Paul Seaton, Co-Chair of the House Resources Committee
The Honorable Eric Feige, Co-Chair of the House Resources Committee

Dear Chairmen:

Thank you for the opportunity to address the House Resources Committee regarding HB 110 and the potential impact on our Alaska Operations. Due to prior commitments I am sorry that I cannot address the committee in person. I hope to visit with each of the committee members individually during this session to express my support for HB 110.

HB 110 will have a significant impact on our capital expenditures and future activities in Alaska. The improved fiscal terms as proposed by HB 110, particularly the portions of the bill that apply to activities outside of existing units, will give us the needed incentive to not only drill multiple new wildcat and delineation wells, but the motivation to drive certain projects to development. The future of Alaska lies in the development of its oil and gas resources that have laid dormant for too long. HB 110 will be the catalyst to bring forward the development of a vast resource base that has not been developed due to date.

Armstrong Oil & Gas, Inc. and it's affiliated companies have been one of the prime movers in generating new projects on the North Slope. The two most recent projects that have been developed on the North Slope are the Oooguruk field operated by Pioneer Natural Resources and the Nikaitchuq field operated by ENI. These projects were originated by our company. Currently, through our affiliate 70 & 148, LLC, we are one of the largest leaseholders on the North Slope.

Our project list has more than a dozen ideas outside of existing producing units that we are hoping to drill and test over the next several years. If successful, these new projects will add much needed new oil production through TAPS as well as provide numerous significant high paying jobs for Alaskans. In many cases we know the oil is in place. The improved fiscal terms as provided in HB 110 will greatly affect whether these projects will get developed.

Please do not hesitate to contact me if you have any questions.

Ed Kerr
Vice President of Land and
Business Development
(t) 303 623-1821
(f) 303 623-3019

Linda Hay

From: jwinegarner@brpcak.com
Sent: Wednesday, March 02, 2011 1:28 PM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Mr James Winegarner
510 L Street
Suite 601
Anchorage, AK 99501-1959

3/2/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process.

Sincerely,

Mr James Winegarner

Linda Hay

From: jeffb@northstarak.com
Sent: Wednesday, March 02, 2011 10:51 AM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Mr jeff Bentz
P.O. Box 877215
Wasilla, AK 99687-7215

3/2/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process.

Sincerely,

Mr jeff Bentz

Linda Hay

From: bryand@northstarak.com
Sent: Wednesday, March 02, 2011 9:47 AM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Bryan Davis
5030 E BrumageDr.
Wasilla, AK 99654-8620

3/2/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process.

Sincerely,

Bryan Davis

Linda Hay

From: part@ak.net
Sent: Wednesday, March 02, 2011 9:29 AM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Mrs Peggy Spittler
3320 admiralty bay drive
Anchorage, AK 99515-2374

3/2/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process. I hope it moves as quickley through the senate. This is more critical to Alaska's future than anything else you are working on this session.

Peggy Spittler
Anchorage

Sincerely,

Mrs Peggy Spittler

Linda Hay

From: CaptainRick@ak.net
Sent: Wednesday, March 02, 2011 9:01 AM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Mr Captain Rick Ameline
3002 Wendys Way
Anchorage, AK 99517-1404

3/2/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process.

Sincerely,

Mr Captain Rick Ameline

Linda Hay

From: cbecker39@yahoo.com
Sent: Tuesday, March 01, 2011 8:32 PM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Mr. Chuck Becker
2621 Kelsan Cir.
Anchorage, AK 99508-4053

3/2/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process.

Sincerely,

Mr. Chuck Becker

Linda Hay

From: Bridgewater@fdifairbanks.com
Sent: Tuesday, March 01, 2011 3:55 PM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Buzzy Chiu
204 Front St.
Fairbanks, AK 99701-3145

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process.

This bill is so important to the future economic development of our great state. We must act now!

Thanks again!

Sincerely,

Buzzy Chiu

Linda Hay

From: cyndi@tecpro.com
Sent: Tuesday, March 01, 2011 3:20 PM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Mrs Cynthia Saunders
6400 Woodmont Drive
Anchorage, AK 99516-1890

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process.

Sincerely,

Mrs Cynthia Saunders

Linda Hay

From: genem@trailercraft.com
Sent: Tuesday, March 01, 2011 2:40 PM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Gene Mountcastle
1301 E. 64th
Anchorage, AK 99518-1908

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process.

Sincerely,

Gene Mountcastle

Linda Hay

From: KHALL@ltia.lynden.com
Sent: Tuesday, March 01, 2011 2:29 PM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Ken Hall
2506 Kuskokwim
Fairbanks, AK 99709-4818

3/1/2011

Dear Representative Feige:

A couple weeks ago I sent a message to a number of you that we needed to address the ACES tax issue in Alaska. I was please to learn that there was action taken that will help in moving HB110 forward.

Thanks
Ken Hall

Sincerely,

Ken Hall

Linda Hay

From: wes.nason@ch2m.com
Sent: Tuesday, March 01, 2011 2:08 PM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Wesley P Nason
2175 Arcadia Drive
Anchorage, AK 99517-1339

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process.

With new projects in existing fields pretty much dried up, my employer's business is off drastically from pre-ACES days. Please continue to move this important tax revision forward.

Sincerely,

Wesley P Nason

Linda Hay

From: blawer@FNBAlaska.com
Sent: Tuesday, March 01, 2011 2:04 PM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Mrs. Betsy Lawer
1273 Bannister Drive
Anchorage, AK 99508-3923

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process.

Sincerely,

Mrs. Betsy Lawer

Linda Hay

From: sstewart@arcticcontrols.com
Sent: Tuesday, March 01, 2011 2:02 PM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Mr. Scott Allan Stewart
3601 Burl Court
Anchorage, AK 99504-3901

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process.

Sincerely,

Mr. Scott Allan Stewart

Linda Hay

From: patrickwalsh@peakalaska.com
Sent: Tuesday, March 01, 2011 1:54 PM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Patrick Walsh
2525 C Street
Suite 201
Anchorage, AK 99503-2632

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. I appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process. I firmly believe HB 110 is a step in the right direction to make our State competitive in an ever changing global market. If you have specific questions for me regarding our current buisness outlook on the North Slope I would be more than happy to spend the time explaining our position.

Sincerely,

Patrick Walsh

Linda Hay

From: pmacksey@steelfabak.com
Sent: Tuesday, March 01, 2011 1:48 PM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Peter Macksey
1539 west 14th avenue
Anchorage, AK 99501-4929

3/1/2011

Dear Representative Feige:

Fellow Alaskans I am pleased that you have the forethought to move this bill out of committee. The pressure to pound every last dime out of the oil company's I know is intense. But for the last week repetitavely the news paper has been touting the amount of movie interest we are receiving since we became the most tax adventagious state in the union. As we have quit looking for oil on the north slope for the secound year, I hope you can convince your collegues to join you and pass this bill this session. I only wish that it rivaled the movie bill.

Sincerely,

Peter Macksey

Linda Hay

From: ed.gohr@deltaleasing.net
Sent: Tuesday, March 01, 2011 1:39 PM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Ed Gohr
8826 Sahalee Drive
Anchorage, AK 99507-4388

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process.

Sincerely,

Ed Gohr

Linda Hay

From: lonw@thewilsonagency.com
Sent: Tuesday, March 01, 2011 1:29 PM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Mr. Lon G Wilson
4240 Tahoe Dr.
Anchorage, AK 99502-1460

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process.

Sincerely,

Mr. Lon G Wilson

Linda Hay

From: thendrix@carlile.biz
Sent: Tuesday, March 01, 2011 1:07 PM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Mr Tom William Hendrix Jr
11034
East John Henry Circle
Palmer, AK 99645

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process.

Sincerely,

Mr Tom William Hendrix Jr

Linda Hay

From: sbyerly@aspenhotelsak.com
Sent: Tuesday, March 01, 2011 12:53 PM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Mrs. Serena Sevener-Byerly
326 Binkley Circle
Soldotna, AK 99669-8058

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process. Keep up the GREAT work and enjoy the rest of your day!

Sincerely,

Serena Sevener-Byerly
General Manager
Aspen Hotel Soldotna
sbyerly@aspenhotelsak.com

Sincerely,

Mrs. Serena Sevener-Byerly

Linda Hay

From: ramseysmiles@yahoo.com
Sent: Tuesday, March 01, 2011 12:52 PM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Ms. Judy Ramsey
9700 Morningside Loop
#206
Anchorage, AK 99515-4266

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process.

Sincerely,

Ms. Judy Ramsey

Linda Hay

From: stokes@gci.net
Sent: Tuesday, March 01, 2011 12:31 PM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Pete Stokes
3521 Andree Dr. #A
Anchorage, AK 99517-2338

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process.

Sincerely,

Pete Stokes

Linda Hay

From: jdoyle@lrs-ak.com
Sent: Tuesday, March 01, 2011 12:16 PM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Jeff Doyle
2600 St. Elias Dr.
Anchorage, AK 99517-1275

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

Sincerely,

Jeff Doyle

Linda Hay

From: sorr@spartanak.com
Sent: Tuesday, March 01, 2011 12:08 PM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Susanna Orr
6458 Barclay Court
Anchorage, AK 99504-4413

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process.

Sincerely,

Susanna Orr

Linda Hay

From: rlogan@alaskaalliance.com
Sent: Tuesday, March 01, 2011 11:28 AM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Categories: Linda

Rebecca Logan
1110 E. 112th
#10
Anchorage, AK 99515-3089

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process.

Sincerely,

Rebecca Logan

Linda Hay

From: anorthcutt@alaskaalliance.com
Sent: Tuesday, March 01, 2011 11:25 AM
To: Rep. Eric Feige
Subject: HB 110 - Passage from House Resources Committee

Categories: Linda

Ann Northcutt
8520 Boundary Ave F1
Anchorage, AK 99504-1463

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Commmittee and through the process.

Sincerely,

Ann Northcutt