

April 11, 2013

State of Alaska
House of Representatives
House Finance Committee
Juneau, Alaska

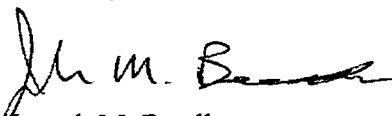
Regarding: Support for CSSB 83 – Amendment Relating to the Assignment of Certain Tax Credits

On behalf of Northrim Bank, please accept this letter as evidence of our support for an amendment to SB83 that allows for assignment of production tax credit/tax credit certificate.

Northrim Bank has been approached on several occasions by energy exploration companies who would like to offer earned production tax credits as collateral for a short-term loan. That would allow the companies attempting to increase oil and gas production in Alaska access to more working capital to fund their activities. However, the Bank has been unable to perfect our interest in such tax credit as security against the funds we lend. We support this effort for the State to recognize the assignment of the production tax credits to a third-party assignee. This should improve the financing options available to many explorers to achieve our common goal of increasing energy production in Alaska.

Your support is greatly appreciated.

Sincerely,



Joseph M. Beedle
President and CEO



BlueCrest Energy Inc.

**1320 S. University Dr., Suite 825
Fort Worth TX 76107
United States of America
(817) 731-0066**

**J. Benjamin Johnson
President and CEO**

April 10, 2013

The Honorable _____
State Capitol Room _____
Juneau, AK 99801

Delivered via email: _____@akleg.gov

Re: Support for ACES receivable financing language (CSSB 83 (FIN) 4/9/13 draft amendment) proposed by Buccaneer Alaska

Dear _____:

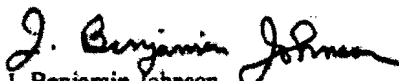
As an independent lessee and developer of state oil and gas resources in the Cook Inlet, we would like to urge you to support new legislation that allows for the assignment of Alaska state tax credits from an explorer/ producer to a third party. We have seen the language suggested for an amendment to CSSB 83(FIN) drafted 4/9/13 (version 28-L-SO634\N.1), and we would support any other form which accomplishes these same ends. We believe that this would facilitate a very positive impact on investment activity by independents like ourselves in the state. This new provision would help independent energy firms to obtain vital financing for new Alaska energy projects and would not result in any incremental cost to the state.

Current state law provides for substantial credits to be issued to explorers/producers resulting from capital expenditures, however there is a time delay (from 4-20 months) between the time the producer submits a filing to the state and the time the tax credits payment is eventually received. Explorers/producers must first spend the full cash investment up front, even though a substantial portion will be received back from the state in the form of credits. The cost of capital for independent producers is quite high, since it requires either obtaining the cash from third parties or withholding the cash from other worthy investments. At the present time, lenders/investors are reluctant to loan/invest money to independent producers for the tax credits, because the tax credits are not currently assignable to the lender/investor. Under current law, the future credit cannot be considered as a security, because the Tax Credit Certificate is given by the state to the producer who then may not follow through with its obligation to provide the funds to the lender/investor. For example, if the producer were to become bankrupt between the time the original filing is made to the state and the time the Tax Credit Certificate is issued, the credits received by the producer would be controlled by the bankruptcy court and could potentially be distributed among all the creditors of the producer instead of going to the lender/investor. Assignability of the tax credits will create a property interest for the lender/investor that will provide an improved degree of certainty of being repaid, resulting in more loans/investments in the state.

If the tax credits can be appropriately leveraged by producers, then the level (and speed) of investment and development in the state will be appreciably increased. In our particular situation, BlueCrest Energy owns 75% of the Cosmopolitan assets located just offshore of Anchor Point. The proved recoverable undeveloped oil reserves in the property are approximately 19 million barrels of oil, but the total costs for developing that oil will exceed \$300 million. State tax credits from that investment are expected to be roughly half of the total investment amount, but (without the ability to leverage the amount of tax credits) we will have to initially provide the entire amount in cash up front. If we are able to effectively leverage the tax credits, then that essentially gives us twice the amount of investing capability for Alaska projects. It is important to recognize that this proposed change will not cost the state any more money but could help in promoting additional private oil and gas investments in the state.

Thank you for your diligent efforts to support appropriate development of Alaska's oil and gas resources.

Sincerely,


J. Benjamin Johnson
President and Chief Executive Officer