3521 Andree Drive
Anchorage, AK 99517

March 6, 2013

**RE: Testimony to Senate Finance Committee on CS for SB 21**

Madame Chair and Senators of the Finance Committee:

My name is Peter J. Stokes a professional petroleum engineer working for Petrotechnical Resources of Alaska. I serve on the Board of the Alliance and Chair of the UAF’s CEM Advisory and Development Council.

I live and work in Anchorage.

I am testifying on behalf of myself, my wife, and the future of my 3 offspring who work in Anchorage and my 2 grandsons.

Thank you for your service and for letting me and others of the public testify on this important piece of oil tax reform that is needed to increase investment and new production in Alaska.

I grew up on the Kenai Peninsula, went to college in Fairbanks and have worked in oil and gas, starting in Alaska, with jobs in other states and overseas and working for the last 10 years in Anchorage.

I support the Governor’s concepts to make Alaska more competitive in attracting increase investments to increase Alaska North Slope production and I urge passage of legislation to make meaningful reforms this year.

In 2007, ACES was passed and it resulted in extracting much higher taxes. At these high tax rates, we all have seen that it made the state very uncompetitive for attracting new investment and thus has increased annual declines through the pipeline.

CS for Senate Bill 21 is a good start to achieve this goal, especially the elimination of progressivity but modifications should include:

1. Design tax rate with GRE and credits to allow for a 62-63% government take for all price ranges to make Alaska investments attractive. I think PFC Energy and Roger Marks can work with Econ One and the departments of Revenue and Natural Resources to design this system.
2. Be sure to incentivize development for new production within existing PA’s that won’t be recovered without new investments. These existing PA’s are the areas that can bring the quickest and largest increases in new production.
3. Keep the exploration credit modification in place that allows new explorers to continue to explore.

In summary, I applaud you in your efforts to allow Alaska to become more competitive in investments for new oil production for both explorers and existing producers. Without new exploration and the continued development of new production within existing PA’s, the efforts to lower or flatten production decline will likely not occur.

Madame Chair and Senators, thank you again for all of your efforts.