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February 19, 2017

State of Alaska
30th Legislature
House Resources Committee

RE: House Bill 111

Chairman Tarr, Chairman Josephson and Members of the Committee,

Thank you for giving Hilcorp the opportunity to provide comments on House Bill 111 (HB 111).

Hilcorp, founded in 1989, is one of the largest privately-held oil and natural gas exploration and production companies in the United States. Headquartered in Houston, TX, Hilcorp has nearly 1,500 employees in multiple operating areas including the Gulf Coast of Texas and Louisiana, Wyoming, the Northeast United States, and Alaska's Cook Inlet and North Slope.

Here in Alaska, Hilcorp operates in both Cook Inlet and on the North Slope. Just over 500 full-time employees support our operations in Alaska and I'm proud to say that nearly 90% are Alaskan residents. Hilcorp's activity, on average, employs approximately 400 full-time contractor positions and hundreds more part time contractor positions. They are hard-working Alaskans helping Hilcorp develop the State's resources safely and responsibly and are a major part of Alaska's overall economy.

Hilcorp operates approximately 53,000 gross barrels of oil per day and 150 million cubic feet of gross gas sales per day from approximately 500 producing wells, for a total net production to Hilcorp of approximately 57,000 barrels of oil equivalent per day.

I'm proud to say that we had a role in last year's historic increase in North Slope production. It's quite a feat for an operator that's only been on the Slope since late 2014. It's also important to note that we have worked very hard and invested hundreds of millions of dollars in the Cook Inlet basin as well. Our activity has increased both oil and gas production- increasing revenues for paid to the state and providing long-term energy security for Alaska's largest population hub.

Hilcorp continues to invest and works hard to move the needle on oil and gas production. We've made great progress in all three producing fields we operate on the Slope – Northstar, Milne Point and Endicott. We continue to invest time and money in the Liberty Development. It's a project that could add an additional 70,000 barrels a day down the pipeline. Production from new fields can take several years and hundreds of millions of dollars to bring online; maintaining and growing production from existing/aging fields requires significant and continual investments. The multiple changes to the tax structure over the last several years does not provide the stability companies need to commit to capital intensive long-term projects. HB111 represents another round of significant change to Alaska's tax structure and brings further instability to Alaska's fiscal regime. This is a change that will force Hilcorp to cut our spending in Alaska and hinder our ability to increase production. It is hard to see how the substantive portions of HB 111 would put more oil in the pipeline. In fact many of the ideas outlined in HB 111 will do the exact opposite.

In closing, I urge you to foster stability and a competitive fiscal regime so that companies like Hilcorp can continue to invest capital in Alaska. HB111 does not bring stability. HB111 makes Alaska less competitive than other areas of the world and threatens the State's long-term economic well-being. We want to keep Alaskans working and put more oil in the pipeline.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Wilkins', with a long horizontal flourish extending to the right.

David S. Wilkins
Senior Vice President
Hilcorp Alaska