



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

Public Written Testimony of J. Benjamin Johnson Regarding Proposed Senate Bill 44 March 1, 2017

For the record, my name is J. Benjamin Johnson. I am the president and CEO of BlueCrest Energy Inc. Thank you for the opportunity to provide written comment on the proposed bill SB44.

From BlueCrest's perspective, we do not oppose public disclosure of the amounts of tax credit payments received by us, a disclosure that is now a requirement under HB247 that passed last year. And BlueCrest would also not oppose public disclosure (without disclosing proprietary detailed information) of expenditures that are the basis of tax-credit filings, summarized by general category. For example, we would not oppose disclosure of how much BlueCrest spent in total by category for drilling new wells, building new production facilities, pipelines, or purchasing new large items such as drilling rigs. In fact, BlueCrest has repeatedly voluntarily provided such factual information in public testimony, because we believe that can help Alaska's leadership and residents alike see the positive tangible benefits resulting from the tax credits.

However the proposed language under SB44 requiring public disclosure of "...a description of the expenditure, a detailed description of the purpose of the expenditure..." would not result in better auditing or control of tax credit filings, but it would release proprietary information that would be damaging to a company's competitive business position. And that would translate into a loss of overall value to the state.

It is very important to recognize that the "detailed description" information requested by this bill is absolutely and entirely currently provided to the DOR. The DOR already has all the tools necessary to secure the detailed back-up information required to evaluate an application. The DOR is the agency delegated the authority to receive, review and approve applications, and it already has all necessary authority to secure information necessary to support that review and approval. The DOR examines the facts behind each claim and will not approve any tax credit if the application has not been based on a valid expenditure.

As a matter of practice, BlueCrest routinely provides the DOR with all vendor proposals, purchase orders, contracts/MSA's, and related invoices (essentially every record of each lease expenditure). We don't withhold anything as part of the DOR's review process. Whenever the DOR staff asks questions (and they routinely do as part of their professional due diligence process), we answer their questions and make every document available to them. But the important factor here is that the staff members of the DOR continue to maintain strict confidentiality of the taxpayer records.

The DOR is the representative of the public in regard to this program, and requiring the release of information submitted in support of an application would put applicants at a competitive disadvantage. Note that taxpayer information has always been deemed to be highly confidential, and the public disclosure of such information can damage the taxpayer. In this instance, release of information could, for example, be used (1) by service providers to frustrate commercial negotiations (i.e., any savings we, as an operator, might achieve in direct negotiations could be lost when a counter-party (our contractor) is able to see what his/her peers charge for similar services to other companies and raise his/her rates to match those of competitors); (2) used by other operating companies to out-bid us for services thereby frustrating our ability to complete projects; or (3) used

by our competitors to develop a profile of our company and our business model that could be used to disadvantage us in commercial negotiations and bidding.

To be clear, this bill has nothing to do about withholding information from the state or misleading the state in application for tax credits. Right now (under the law as it currently stands without this bill), there are no “secrets” held back from the state’s review of the applications for tax credits. I can assure you that the professionals at the DOR staff are extremely diligent about protecting the state’s interests in their evaluation of each of these tax credit filings.

It is critical that we all understand and acknowledge that the state and its residents undoubtedly benefit with improved efficiency of industry operations. The lower we can keep our costs, the more we can invest in developing greater volumes of royalty oil and taxable revenue. But disclosure of all the detailed taxpayer information as proposed in the bill would essentially result in publicly disclosing each company’s proprietary financial operations that affect the very competitive nature of the business. Public disclosure of proprietary information weakens – and likely destroys – competitive advantages that encourage companies to invest more in their Alaska businesses.

In summary, BlueCrest therefore opposes SB44, as written, but we would not oppose disclosure of investments by broad category claimed for tax credits.

Sincerely,


J. Benjamin Johnson