



March 22, 2017

The Honorable Neal Foster
Co-Chairman
Alaska House Finance Committee
State Capitol, Room 410
Juneau, AK 99801

The Honorable Paul Seaton
Co-Chairman
Alaska House Finance Committee
State Capitol, Room 505
Juneau, AK 99801

RE: Committee Substitute for House Bill 111

Chairmen Foster and Seaton,

Thank you for giving Hilcorp the opportunity to provide comments on the Committee Substitute for House Bill 111 (CSHB 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 bill has been represented as a "credit reform" bill. From Hilcorp's point of view it is much more. CSHB 111 would significantly increase taxes and, yet again, change tax policy. Another round of change to Alaska's tax structure brings further instability to Alaska's fiscal regime. 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. Further, increasing the minimum tax combined with hardening the floor 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 CSHB 111 would put more oil in the pipeline. In fact, many of the ideas outlined in CSHB 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. CSHB111 does not bring stability. CSHB111 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 stroke extending to the right.

David S. Wilkins
Senior Vice President
Hilcorp Alaska