

**WRITTEN TESTIMONY TO THE ALASKA HOUSE FINANCE COMMITTEE
IN OPPOSITION TO HB 411**

J. Benjamin Johnson, BlueCrest Energy Inc. - April 11, 2018

Co-Chair Foster, Co-Chair Seaton, Vice-Chair Gara, Members of the Committee: For the record, my name is J. Benjamin Johnson and I'm the President/CEO of BlueCrest Energy Inc. ("BlueCrest"). We appreciate this opportunity to provide comments on pending bill HB 411 that we believe would have long-term negative ramifications for the State of Alaska and its residents. Although BlueCrest's current operations in the Cook Inlet may not be immediately impacted by passage of this bill, for the long term good of the State we nevertheless urge Alaskan legislators not to vote for its approval.

It is well-accepted in the oil and gas industry that Alaska has tremendous volumes of undiscovered and undeveloped oil and gas deposits, in particular on Alaska's North Slope. However, it is vital to understand that investment activities in Alaska must compete with the economic opportunities elsewhere around the world. Within essentially every major hydrocarbon basin worldwide, there is a range of hydrocarbon field size. The largest "super-giant" discoveries can often justify enormous investment commitments, but the smaller finds are generally much more sensitive to costs. New fields will only be developed if the expected difference between production revenues and total costs (projected net profitability) is greater than the opportunities afforded elsewhere.

Alaska's cost structure for exploring, developing and producing oil and gas reserves is typically higher than in other basins of the US. Production taxes are one significant component of these costs, and an increase in the production taxes will unquestionably impact short-term and long-term investment, which will result in a negative impact to the development of Alaska's oil and gas resources. Another increase in production taxes such as proposed in HB 411 will provide yet another confirmation of the State's disregard for promoting long term competitiveness and corresponding wealth to the State. If passed, this bill would probably result in short term increased tax revenues to the State. But we believe it would be at the cost of much larger lost potential growth for many years into Alaska's future, because companies will make prudent business decisions and choose to put their investment in areas where they can be more profitable.