



Good Afternoon;

I would like to start by extending my appreciation to Chairman Foster and Chairman Seaton and members of the House Finance committee for allowing us to participate in today's testimony.

For the record my name is Jeff Hastings.

I am the Chairman and Chief Executive Officer for SAExploration, and the managing member of Kuukpik/SAE, our Joint Venture with the north slope, native village of Nuiqsut. My family has lived in Alaska since 1987.

Our core business is offering seismic data acquisition services to the oil and gas industry. We are not an oil company – we simply provide the seismic data to help the State and companies know where to look in order to find oil more effectively and efficiently.

Our company has employed an average of 400 Alaskans annually. We are the holders of approximately \$50,000,000.00 of assigned tax credits and continue to wait for an additional \$21,000,000.00 in assigned credits, which are still in the process of being verified and audited for more than two years. Since we are not an oil company, we do not have any long-term production prospects for making up the money that is owed our company for all the work we performed. Instead, we have been forced to restructure and downsize our company as we await payments from the State of Alaska.

Today I would like to talk in support of HB331, which if passed would provide a mechanism to pay off the existing oil and gas tax credits owed by the State through the issuance of bonds.

Over the past couple years, we have felt adverse effects as a result of prolonging the period in which the oil and gas tax credits are verified, issued, and ultimately paid. As an Alaskan company and as Alaskans, we understand the state's fiscal dilemma and appreciate the Legislature's efforts to find long term fiscal solutions. But circumstances are such that we need to work together today to find a solution, and HB331 offers a pathway.

In our sector of the industry, seismic data collection, we have experienced a continuing downward trend in activity since the governors first appropriation veto in Q2 of 2015. Year over year, a 50% decrease in the dollars being spent on new data, data needed to identify new reserves that the state needs for its economic well being. In 2015, \$200,000,000.00 was spent on new high-resolution data. In 2018 there will be less than \$20,000,000.00 spent on new seismic data collection. Perhaps more importantly are the jobs that have been lost and continue to be reduced year after year. As a company we have gone from employing 400 Alaskans and multitudes of Alaskan subcontractors for 8 to 9 months a year, to a company that employs 150 Alaskans and a few select Alaskan contractors for 45 days in 2018. This is not a result of a loss in our market share to competition or a continued downturn in the commodity price. It is simply due to a lack of capital spending, be it our clientele waiting on tax credits owed to them individually or a lack of confidence in the State's oil and gas tax policy. Their capital budgets are being directed to other basins and opportunities where there is a higher level of confidence.

The governor's tax credit appropriation vetoes, the debate about annual minimum appropriations, and the two DOR advisory bulletins 2016-01 and 2017-01, which effectively shut down the secondary market, have all combined to create a business environment without meaningful consistency. Please know that this isn't trying to cast blame or fault anyone – all of us are doing our best to cope with the State's fiscal situation. But I point these things out to you with the hope that we can move forward with HB331 as a solution.

Working together and passing this bill will create opportunities to bring online the reserves that the state desperately needs to solve our fiscal gap, opportunities which are now effectively sidelined due to the current situation. Except for one exploration effort in 2018, the capital needed to get us back to work is not being allocated. Project after project suspended because of a lack visibility, resulting in a lack of capital available, both the institutional capital and the private capital needed to move projects forward because of the continued erosion of confidence in the consistency of our oil and gas tax policy and plan to pay the outstanding credit liability.

Recent data from DOR would indicate that the 2016 and 2017 credits, depending on the annual allocation will not see payments begin until fiscal 2021 and may not see the full amounts paid until sometime beyond fiscal 2024 or 2025. This data would indicate an even more protracted period of low activity.

The DOR projections for commodity pricing over the near-term show that we cannot depend on an increase in price of oil to solve this issue. And yet as a state we need more production and more revenue generated by that production to bridge our fiscal gap and the future needs as a State. To do that we need the industry off the sidelines and working to increase our throughput.

We believe HB331 provides a path to restarting the industries engine. Is it ideal - - no. On one side of the equation no one wants to have to take a haircut on monies owed. On the other you can argue why should the State take on the debt and service of the debt even if the discount provides for an offset.

The level of the discount will be a company by company choice. Dependent on the current projected payment by DOR, their cost of capital and their need for new project capital.

What HB331 does do is create confidence in when companies will be paid, how much they will be paid and normalizes the amount that the state will need to appropriate each year against the tax credit liability

More importantly it gives us the ability and confidence as an industry to find the capital we need for new or suspended projects. And it puts our Alaskan families back to work

Thank you for your time today and the opportunity to share our view point.

Sincerely



Jeff Hastings  
Chairman and Chief Executive Officer  
SAExploration Inc.