

State of Alaska

Department of Revenue

Commissioner Bryan Butcher



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The Honorable Hollis French
Alaska State Senator
State Capitol, Room 417
Juneau, AK 99801

February 13, 2012

Dear Senator French:

Thank you for your email on January 30, following up with questions you have from the Senate Resources committee.

1. *Today in committee your slide #3 told us that Texas is BOOMING (your caps). Imagine how I felt to read in your department's recent publication "Alaska's Oil and Gas Fiscal Regime" on page 4 that "Oil production in Texas is up slightly". Which is it?*

After decades of a production decline remarkably similar to Alaska's, Texas has flattened out their decline curve and begun to increase production. This activity has resulted in thousands of new jobs and has played a large role in pulling Texas out of the nationwide recession. Defining what is considered a boom is subjective. In my opinion, if we can achieve in Alaska what has been achieved in Texas over the last few years, I would consider that a boom.

2. *Last week I asked you about whether the new production in Texas was conventional or shale oil. You replied that it was conventional. You have been asked to document that assertion. Please share your documentation with me as well.*

Comments made recently about the flattening of the decline curve having resulted from conventional oil are a result of our face to face discussions with the Railroad Commission of Texas, the Texas equivalent of AOGCC. The majority of shale oil being produced in Texas is from the Eagle Ford shale play. Attached you will find a year to year summary of shale oil production from Eagle Ford from 2004 through November, 2011. This information may be found on-line at <http://www.rrc.state.tx.us/eagleford/EagleFordOilProduction.pdf>. As you can see, the biggest jump in production occurred in 2011, which was not included in DOR's slide presented to you in Senate Resources on January 27, 2012.

Please let me know if you have any further questions or comments.

Sincerely,

Bryan Butcher
Commissioner