

3521 Andree Drive
Anchorage, AK 99517

February 20, 2013

RE: Testimony to Senate Resources Committee on SB 21

Madame Chair Giessel and Senators on the Committee:

My name is Peter J. Stokes a professional petroleum engineer working for Petrotechnical Resources of Alaska.

Thank you for your service and for letting me and others of the public testify on this important piece of oil tax reform that is needed to increase investment and new production in Alaska.

I live and work in Anchorage. I am on the Board of the Alliance and Chair of the UAF's CEM Advisory and Development Council.

I am testifying on behalf of myself, my wife, my 3 offspring who work in Anchorage and my 2 grandsons and their future.

I grew up on the Kenai Peninsula, went to college in Fairbanks and have worked in oil and gas, starting in Alaska, with jobs in other states and overseas and working for the last 10 years in Anchorage.

I support the Governor's concepts to make Alaska more competitive in attracting increase investments to increase Alaska North Slope production and I urge passage of legislation to make meaningful reforms this year.

Mr. Bill Armstrong, of Armstrong Oil and Gas made some compelling arguments on Monday explaining why there isn't more drilling activity in exploration in the state.

Senate Bill 21 is a good start to achieve this goal, especially the elimination of progressivity but modifications should include:

- 1) Ensure that there is no "increases" in tax (or government take) in changing ACES for existing producers for price ranges from \$50-90 per barrel.
- 2) Incentivize development within existing PA's by making more new oil production eligible for GRE credit. These existing PA's are the areas that can bring the quickest and largest increases in production.
- 3) Allow new explorers to continue to sell loss credits generated from exploration prior to production. Taking away this ability will negatively impact those that are currently exploring as it will change the terms which were used to attract exploration funding, it will significantly increase the cost of exploration, and in the unsuccessful case will mean that credits are not redeemable, thus changing the economic risk and rewards of exploration in Alaska. Without these new explorers, the production growth from exploration outside of the existing units will not occur, as Armstrong and Brooks Range Petroleum have testified.

In summary, I applaud you in your efforts to allow Alaska to become more competitive in investments for new oil production for both explorers and existing producers. Without new exploration and the continued development of new production within existing PA's, the efforts to lower or flatten production decline will likely not occur.

Madame Chair and Senators, thank you again for all of your efforts.