

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

February 22, 2017

6:35 p.m.

MEMBERS PRESENT

Representative Andy Josephson, Co-Chair
Representative Geran Tarr, Co-Chair
Representative Harriet Drummond
Representative Justin Parish
Representative Chris Birch
Representative DeLena Johnson
Representative George Rauscher
Representative David Talerico

MEMBERS ABSENT

Representative Dean Westlake, Vice Chair
Representative Mike Chenault (alternate)
Representative Chris Tuck (alternate)

OTHER LEGISLATORS PRESENT

Representative Les Gara

COMMITTEE CALENDAR

HOUSE BILL NO. 111

"An Act relating to the oil and gas production tax, tax payments, and credits; relating to interest applicable to delinquent oil and gas production tax; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 111

SHORT TITLE: OIL & GAS PRODUCTION TAX; PAYMENTS; CREDITS

SPONSOR (s): RESOURCES

| | | |
|----------|-----|--------------------------------------|
| 02/08/17 | (H) | READ THE FIRST TIME - REFERRALS |
| 02/08/17 | (H) | RES, FIN |
| 02/08/17 | (H) | TALERICO OBJECTED TO INTRODUCTION |
| 02/08/17 | (H) | INTRODUCTION RULED IN ORDER |
| 02/08/17 | (H) | SUSTAINED RULING OF CHAIR Y23 N15 E2 |

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|----------|-----|---------------------------|
| 02/08/17 | (H) | RES AT 1:00 PM BARNES 124 |
| 02/08/17 | (H) | Heard & Held |
| 02/08/17 | (H) | MINUTE (RES) |
| 02/13/17 | (H) | RES AT 1:00 PM BARNES 124 |
| 02/13/17 | (H) | Heard & Held |
| 02/13/17 | (H) | MINUTE (RES) |
| 02/17/17 | (H) | RES AT 1:00 PM BARNES 124 |
| 02/17/17 | (H) | Heard & Held |
| 02/17/17 | (H) | MINUTE (RES) |
| 02/20/17 | (H) | RES AT 1:00 PM BARNES 124 |
| 02/20/17 | (H) | Heard & Held |
| 02/20/17 | (H) | MINUTE (RES) |
| 02/22/17 | (H) | RES AT 1:00 PM BARNES 124 |
| 02/22/17 | (H) | RES AT 6:30 PM BARNES 124 |

WITNESS REGISTER

KARA MORIARTY, President/CEO
 Alaska Oil and Gas Association
 Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation entitled, "House Resources Committee HB 111," dated 2/22/17; testified in opposition to HB 111.

DAMIAN BILBAO, Vice President of Commercial Ventures
 BP
 Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 111.

PAT FOLEY, Senior Vice President
 Alaska Operations
 Caelus Energy Alaska
 Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation entitled, "Caelus Activity Update," dated 2/22/17; testified in opposition to HB 111.

JEFF HASTINGS, Chairman/CEO
 SAE Exploration; Managing Partner
 Kuukpik SAE
 Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation dated 2/22/17; testified in opposition to HB 111.

ACTION NARRATIVE

[6:35:48 PM](#)

CO-CHAIR GERAN TARR called the House Resources Standing Committee meeting to order at 6:35 p.m. Representatives Tarr, Birch, Parish, Talerico, and Josephson were present at the call to order. Representatives Drummond, Johnson, and Rauscher arrived as the meeting was in progress. Also present was Representative Gara.

HB 111-OIL & GAS PRODUCTION TAX; PAYMENTS; CREDITS

[6:36:17 PM](#)

CO-CHAIR TARR announced that the only order of business would be HOUSE BILL NO. 111, "An Act relating to the oil and gas production tax, tax payments, and credits; relating to interest applicable to delinquent oil and gas production tax; and providing for an effective date."

[6:36:33 PM](#)

KARA MORIARTY, President/CEO, Alaska Oil and Gas Association (AOGA), informed the committee AOGA is a private professional trade organization representing the majority of the oil and gas industry in Alaska, and provided a PowerPoint presentation entitled, "House Resources Committee HB 111." She began her presentation, and pointed out state and local governments received over \$2.1 billion in taxes and revenue last fiscal year. Members of AOGA reviewed HB 111, considering several principles [slide 3]. An additional important principle is stability, which was discussed during a previous hearing [on 2/20/17]. Ms. Moriarty noted that the information presented at the aforementioned previous hearing was out of date, and the presenter implied industry and AOGA are disingenuous and not credible [slide 4]. She said she was personally insulted and explained the reason industry addresses the issues of stability, competition, and jobs worldwide is because they are factors in making investment decisions, and changes in government take impact the three aforementioned issues. Ms. Moriarty stressed HB 111 will not provide stability or increase competition and the number of jobs in Alaska. She returned attention to the previous testimony, and advised more recent information in this regard is available; in fact, information from January 2016, indicated that as oil prices went down, governments offered fiscal incentives, and most of the world recognized that increasing taxes would discourage investment in a time of low prices [slide 5].

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CO-CHAIR TARR asked Ms. Moriarty to continue her presentation without further reference to the previous testifier.

MS. MORIARTY returned attention to slide 5.

REPRESENTATIVE BIRCH appreciated hearing updated, current, and accurate information and requested the committee hear testimony from the Oil and Gas Competitiveness Review Board (O&G CRB), Department of Revenue (DOR), [established in Senate Bill 21, passed in the 28th Alaska State Legislature].

CO-CHAIR TARR said any member of the committee may contact O&G CRB, and its testimony before the committee will be considered as time allows.

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MS. MORIARTY directed attention to slide 6 that summarized which sections of HB 111 constitute a tax increase or increased cost to industry, and which sections are credit reform - the stated intent of certain policymakers. Although updated DOR reports are forthcoming, she said it is known that last year there was over \$6.6 billion in total investment on the North Slope, and industry earned "a fraction of that in credits on the slope, at \$393 million" Based on total production, she estimated North Slope revenue to state and local government at \$2 billion last year, and advised credits are a good return on the state's investment as will be demonstrated by the following presentation. Beginning the sectional review of HB 111, she said Section 1, which increases interest to six years of compounded interest, will increase industry's costs, and has nothing to do with tax credits [slide 7]. The provision in Section 2, which was part of legislation proposed last year, raises the minimum tax and is a significant increase ranging from 25 percent to an infinite increase, which industry believes will lead to the loss of one drilling rig for at least six months [slide 8]. Ms. Moriarty stressed HB 111 will impact investment decisions and more specific testimony will be offered in this regard. Hardening the floor is another tax increase, and although Section 3 is directly related to credits, using credits against the minimum tax is the only way some companies can continue to invest [slide 9]. She recalled concerns have been expressed by legislators about the complexity of the state's tax system, and suggested the second part of Section 3 should be removed because it changes the tax to a monthly tax

[slide 10]. Continuing to Section 5, she noted net operating loss credits (NOLs) historically have matched the tax rate and this section penalizes companies for investing in Alaska while they are losing money. Furthermore, reducing the net operating loss (NOL) rate was not part of legislation proposed last year, and previous testimony from DOR has established the importance of NOLs for all companies. She pointed out according to DOR testimony, House Bill 247 [passed in the 29th Alaska State Legislature] was designed to protect NOL credits, and she questioned the change in policy [slide 11]. In addition, NOLs level the playing field for certain companies in Alaska, and reducing the NOL and eliminating cash payments - as does Section 6 - will eliminate all cash credits on the North Slope [slide 12]. Ms. Moriarty discussed the history of tax credits and provisions of Senate Bill 21 that maintained an effective tax rate of approximately 25 percent over a range of oil prices, and that returned an element of progressivity to the tax system through a per barrel credit. Changes to the "so-called credit" changes the structure of the tax and is an immediate tax increase [slide 13]. Experts recognize that the per barrel is not really a credit, and she read testimony presented by DOR last year characterizing the credits as an "offset to the tax and is designed to create a progressive element" Therefore, the proposal in Section 7 is a fundamental change to an integral part of the tax system, and also does not have anything to do with tax credit reform [slide 14]. Section 9 creates uncertainty as to when credits are earned and to which companies Section 9 applies [slide 15]. Continuing to Section 10, she said preventing gross value at the point of production (GVPP) from going below zero creates uncertainty and has nothing to do with tax credits [slide 16]. She concluded nine of the eleven policy sections of HB 111 would increase cost and/or taxes on industry at a time of low oil prices [slide 17]. Ms. Moriarty agreed the oil and gas industry is evolving in response to global changing markets, emerging technology, enhanced monitoring systems, and geopolitical changes; however, fiscal systems can remain stable [slide 18].

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MS. MORIARTY, referring to six changes in the state's fiscal policy, noted AOGA only supported the Cook Inlet Recovery Act [passed in the 26th Alaska State Legislature] and certain provisions of Senate Bill 21, but did not propose the aforementioned changes [slide 18]. She advised Alaska has potential and good geology, but HB 111 will not bring more production and investment, will make Alaska less competitive,

and may lead to lost long-term revenue through the loss of royalty, production, corporate income tax, and property tax. Further, increasing government take through HB 111 will not solve Alaska's fiscal crisis. She stressed that the industry is part of the solution [to the fiscal crisis] as it is the largest revenue generator for the state [slide 19]. Ms. Moriarty said HB 111 will hurt Alaska's overall economy and urged the committee to reconsider the bill.

REPRESENTATIVE BIRCH objected to the interruptions to the foregoing presentation, and said all of the information in the presentation is relevant.

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DAMIAN BILBAO, Vice President of Commercial Ventures, BP in Alaska, informed the committee BP sees HB 111 - as currently written - as a risk to the Alaska economy and a disincentive to investment in Alaska. He expressed support for the previous testimony by AOGA and others, and reminded the committee producing oil in Alaska is tough and expensive work. Mr. Bilbao said North Slope fields would naturally decline at over 10 percent each year without a material level of investment such as drilling, facilities work, and innovation to mitigate the decline. Although there has been a recent increase, Alaska production currently represents less than 5 percent of U.S. oil production, down from over 25 percent in the '80s, and must continue to compete for investment. He directed attention to the Alaska economy, and advised that Alaska's fiscal gap should not be addressed at the expense of the health of the state's economy, which is directly linked to the amount of oil flowing through the Trans-Alaska Pipeline System (TAPS). Mr. Bilbao said the principles used by BP to assess oil fiscal policy were tested against HB 111, and BP concluded HB 111 would be a damaging policy for Alaska. The first principle is encouraging more oil flow down TAPS, and HB 111 makes investment in Alaska less competitive, because it makes production more expensive. In fact, higher taxes mean higher costs, and lower profits in Alaska - compared to other options - and will send investment dollars elsewhere. The second principle is extending the life of Prudhoe Bay and Kuparuk oil fields, and the change to the sliding scale tax credit for legacy production would be a tax increase, and would shorten the economic life of each field. The third principle is encouraging more independents working on the North Slope, and HB 111 would push independents off of the North Slope as a result of weaker economics and fiscal uncertainty. The fourth principle is not picking winners and

losers, and under HB 111 any company investing in Alaska, and expecting a certain return, would be a loser. He acknowledged the legislature has a difficult task to address the fiscal gap without damaging the economy; however, changes to Alaska's oil taxes and tax policy must be narrowly tailored to correct deficiencies without causing long-term harm.

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REPRESENTATIVE PARISH asked what flaws BP sees in the existing tax system that can be corrected to positively impact the state's bottom line in the short-term.

MR. BILBAO advised the current policy is providing what is best for the state in delivering more production, more discoveries on the North Slope, and more exploration by independents in the short- and long-term.

PAT FOLEY, Senior Vice President, Alaska Operations, Caelus Energy Alaska (Caelus), expressed support for the previous testimony and said his presentation would direct attention to the high level impacts of HB 111, specifically to Caelus and its projects. He reminded the committee Caelus is an explorer, developer, producer, and a partner with the state developing resources. Caelus acquired Pioneer's assets, thus has been working for 15 years on the North Slope [slide 2]. Mr. Foley said state oil policy will impact projects, companies' economics, and the timing of projects, and gave the example of the Nuna project, which anticipates peak production of 25,000 barrels per day, will create hundreds of jobs, and represents \$2.2 billion in state revenue from royalty, net profit share leases, and production tax. For a project like Nuna, modeled at \$70 per barrel oil, the changes brought forth by HB 111 have the effect of increasing the oil price required for a successful project by \$5-\$7 dollars per barrel [slide 3]. When the Smith Bay project - which projects over 100,000 barrels of oil per day - begins production, Caelus will not be eligible for cash credits, thus Smith Bay will not draw a huge payment of cash credits from the state [slide 4]. Mr. Foley said Caelus has the potential of placing 2 billion additional barrels of oil through TAPS, creating 2,100 direct jobs, and adding contributions to the state economy of \$34 billion [slide 5]. He provided slide 6, which illustrated how Alaska is going out of business by selling the oil it has produced, and thus depleting its resource; therefore, to save Alaska's economy, additional projects must be found, and tax policy will have a direct impact on whether projects are completed, and the pace of their

completion. Mr. Foley explained certain provisions of the bill are harmful to all North Slope investors, and others are harmful to new companies. Relative to tax policy, he questioned Alaska's fiscal goal and policy, and whether each of the elements in HB 111 are helpful to attract investment and grow the economy, or are harmful [slide 7]. He opined although HB 111 addresses the immediate cash concerns of the state, it is harmful to Alaska's economy in the long-term. Finally, Caelus used an economic model to analyze the impact of each component of the bill on the Nuna project, and he provided a graph [slide 8].

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REPRESENTATIVE PARISH asked for the amount of the expected outlay for the Nuna project.

MR. FOLEY answered Caelus has spent about \$200 million for drilling two wells and installing facilities. Another \$1 billion is yet to be spent.

REPRESENTATIVE PARISH inquired as to the cost of Smith Bay.

MR. FOLEY said two exploration wells have been drilled at Smith Bay, and although development is conceptual at this time, total development cost will exceed \$10 billion.

REPRESENTATIVE PARISH questioned how much of the \$11 billion outlay in Smith Bay will be recovered in cash subsidies, and how much will be held against future tax liability.

MR. FOLEY explained by the time Caelus develops Smith Bay, it will be producing in excess of 35,000 barrels per day, and thus would not be eligible for cash credits; therefore, all lease expenditures would roll forward as NOLs.

REPRESENTATIVE RAUSCHER asked for Mr. Foley's opinion on what is good tax policy.

MR. FOLEY restated Caelus purchased Pioneer's assets, committed to exploration wells at Smith Bay, and sanctioned the Nuna project under the Senate Bill 21 tax policy regime. He concluded the Senate Bill 21 tax policy attracted newcomers, leveled playing fields, and encouraged investment on the North Slope; however, subsequent to the passage of House Bill 247, Caelus's projects became less valuable. In further response to Representative Rauscher, he said if HB 111 passes, investments

in the state will be slowed, the economy will be harmed, and the industry will have to wait for higher [oil] prices.

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REPRESENTATIVE BIRCH stated Senate Bill 21 is an unequivocal success. The fiscal note attached to HB 111 indicated that by 2025, there would be a massive tax increase of over \$300 million for the state. He observed the most significant component of state revenue is royalty share, which is typically one-eighth, or 12.5 percent, and asked about the impact of higher royalty shares on newer fields and investment decisions.

MR. FOLEY explained at Ooguruk Unit, Caelus has one-eighth leases that are additionally burdened by a 30 percent net profit share, and also has one-sixth leases. Originally, all the oil and gas leases in the state had a fixed one-eighth royalty, and then a net profit share component was added, which was an additional 30 percent or 40 percent, or a bid variable share. He opined the state realized the aforementioned system caused accounting difficulties, and no longer issues leases with a net profit share. Leases near infrastructure carry one-sixth royalty, and leases in very remote areas still carry one-eighth royalty leases.

CO-CHAIR JOSEPHSON clarified that if the bill as written does not succeed, Caelus would remain eligible for cashable credits because it produces under 50,000 barrels.

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MR. FOLEY said yes, Caelus would remain eligible; in fact, to develop Smith Bay will take two or three years of building infrastructure before first oil, and all of the costs would be eligible for credit. After production begins, Caelus would be producing over 50,000 barrels per day and would not be eligible. For a total development cost of \$10 billion, Caelus would spend \$3 billion to \$4 billion in advance, and another \$7 billion or more drilling wells, thus the first tranche might be eligible for cash credits under the current fiscal system.

CO-CHAIR JOSEPHSON surmised under the existing fiscal system, [cashable credits would be] .35 [percent] of \$3 billion to \$4 billion, and after production in excess of 50,000 barrels, the state would use a formula to secure NOLs after capital and operating expense deductions.

MR. FOLEY returned attention to slide 4 that illustrated total cash paid to the state, for a project like Smith Bay, would be about \$15 billion in royalty, and about \$10 billion in production taxes. Further, if Caelus carried-forward [costs], the payment of production taxes would be delayed, but the payment of royalty would not.

CO-CHAIR JOSEPHSON stated his concern about informing his constituency that the state made \$1.2 billion in fiscal year 2017 (FY 17), but it could make tens of billions of dollars over the life of a certain oil and gas project by spending \$3.5 billion for development cost, without any guarantee of the result.

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MR. FOLEY said he considers the state a co-investor with industry, and considers cash credits not as a subsidy, but as a co-investment; for example, a \$1 billion investment by the state in a project similar to Smith Bay would yield a return of \$28 billion in royalty, production tax, and ad valorem, which is a return of 28:1. In further response to Co-Chair Josephson, he said a return on investment may not be bankable, and certainty varies between an exploration activity and a development activity, however, after a commitment is made for development, the chances of success are very high.

CO-CHAIR TARR asked Mr. Foley to discuss Caelus's benefits from royalty relief.

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MR. FOLEY said at Oooguruk, a royalty modification was agreed to when the project was sanctioned, and all the leases in the field are either a one-eighth royalty, 30 percent net profit, or a one-sixth royalty. When the royalty modification was granted, all of the net profits stayed the same, and the royalties were reduced to 5 percent until one of the net profit share key leases begins to make a net profit share payment. He said he anticipates the royalty modification for Oooguruk will end at some point within the next three years. In a separate royalty modification application for the Nuna project, a royalty modification was granted with a condition that first oil would begin by late in 2017 or in 2018; as the odds of that are low, Caelus will apply for an extension.

CO-CHAIR TARR observed the state has been willing to use royalty modification as a means to recognize the impact of low prices to the industry.

MR. FOLEY said yes. He added that three North Slope fields and six or seven Cook Inlet marginal fields have been helped by royalty modifications.

REPRESENTATIVE BIRCH questioned whether NOLs are limited to \$35 million per year by House Bill 247.

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MR. FOLEY clarified one of the provisions of House Bill 247 cut all credits in one-half, so any one company can recoup up to \$61 million in any one year.

REPRESENTATIVE BIRCH expressed his understanding the state would not have a significant investment, but the payment [of credits] would be "metered out over some period of time."

CO-CHAIR JOSEPHSON restated his concern that even if the amount of the annual outlay per company is capped, with the present system, the state has no control over what credits are accruing above the cap. Thus the state would accrue another liability similar to pension systems and school debt reimbursement.

REPRESENTATIVE PARISH questioned what the effect to the economics of the Smith Bay project would be if the state were to offer \$3.5 billion as a no-cost loan, instead of as a subsidy.

MR. FOLEY agreed the state could take several actions to return Caelus to the financial position the tax credits provided; in fact, low-interest rate loans, the ability to carry-forward loss credits until they can be utilized, and any investment in infrastructure, would be helpful.

[7:37:28 PM](#)

JEFF HASTINGS, Chairman/CEO, SAExploration, and Managing Partner, Kuukpik SAE, informed the committee SAExploration is an explorer and current holder of tax credits, and its main business is as a prime contractor to the oil and gas community in Alaska. He provided a brief history of the company, and stressed its commitment to preferentially hire Native Alaskans and Alaska residents, and to using Alaska suppliers and subcontractors [slide 2]. Mr. Hastings provided a list of over

190 Alaska suppliers his company uses [slide 3]. As background information, he said seismic operations are typically the beginning of an exploration program, sometimes before leasing. Seismic data is critical information essential to the success of an exploration program, and after investment drawn by the passage of Senate Bill 21, the company used new technologies to produce higher resolution images of subsurface, which garner information in direct correlation to recent discoveries. Further, seismic data is critical to finding new opportunities, and reserves for the future [slide 4]. Slide 5 provided a snapshot of a single seismic program, and illustrated the Aklag 3D Seismic Program in 2016 that employed 15 subcontractors and 75 suppliers. Thus, one job brought benefits to over 1,060 Alaskan families and generated \$57 million in revenue, of which \$49 million stayed in Alaska. Mr. Hastings explained seismic is one part of exploration prior to development, and slide 6 was a chart of annual seismic revenue in millions of dollars from 2012 to 2017. After the passage of Senate Bill 21, capital investment in seismic data increased to a peak of \$217 million, which decreased to \$105 million following the first tax credit appropriation cut in the fall of 2015, and to \$50 million following the second tax credit appropriation cut in the summer of 2016. Slide 7 illustrated annual seismic programs for all Alaska contractors that gather seismic information, over the same period of time that ranged from a peak of eleven programs, to a low of two, following both tax credit appropriation cuts [slide 7]. Because seismic occurs early in exploration, the number of seismic programs underway is a good indication of future capital spending in the industry. Mr. Hastings said from his perspective, Senate Bill 21 resulted in an increase of capital spending, which resulted in new discoveries. The elimination of the tax credit appropriation budget in 2015 and 2016 has had several negative effects: capital spending is down, the state has not released a schedule of payments for current tax credit liabilities; liquidity needed for contractors is gone; many contractors remain unpaid for services rendered [slide 8]. As a result of the delayed tax credit payout, SAExploration was forced to restructure its company and seek a way to extend payments to its Alaska subcontractors and suppliers until the state pays its tax credits. To do so, SAExploration eliminated 98 percent of its shareholders' equity, the majority of which was held by Alaskan employees [slide 9]. Mr. Hastings stated his commitment to working and investing in Alaska's oil and gas fields has continued for three decades, and he intends to stay, along with SAExploration's partner, the village of Nuiqsut.

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MR. HASTINGS advised the oil and gas community is making hard choices - many are working at cost - and many are depending on the state to make the right choices related to the state's tax regime. He said HB 111 all but eliminates a secondary market for tax credits, and the elimination of cash payments for NOLs hurts explorers. Furthermore, it is unknown when and how tax credits will be paid, and this information is necessary in order for his company to operate in the future. A sustainable structure is needed that is competitive on a global scale, and which may require additional infrastructure, lower costs, and more of a partnership with the state. He cautioned against creating a tax environment that eliminates investment in Alaska.

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REPRESENTATIVE BIRCH recalled previous DNR testimony about a large repository of seismic data on the North Slope that the state could monetize. He asked whether the state acquired information for which it has not paid.

MR. HASTINGS explained his company works three ways: 1. contracts directly to an oil and gas producer that applies for the credit, and after ten years the data is made public; 2. speculative data in which his company would acquire data and sell licenses for the data, typically a speculative survey sells at multiple of 1.25 return; 3. contracts with a speculator. Regarding the data referred to by the commissioner of DNR, he said there are thousands of linear and square miles [of seismic data] that will become public domain within the next five years.

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REPRESENTATIVE PARISH assumed the actions of the state as a free purveyor of seismic data have a negative impact on SAExploration.

MR. HASTINGS clarified if the data were to stay proprietary to the owner, and is not released to the public after ten years, it would yield about a multiple of 1.5 [return on investment]. However, industry expects a return of 1.25, and that the data will become public domain.

REPRESENTATIVE PARISH observed the secondary market is uncertain of the status of tax credit payments. He suggested the state could issue a larger allocation of tax credit payments disbursed

on a competitive basis, for example, ninety-nine cents on the dollar.

MR. HASTINGS confirmed all parties in the secondary market need cash and would have differing thresholds; however, his company has restructured to survive the delay and low [oil] prices, and would be reluctant to accept a steeply discounted offer for its current tax credits.

CO-CHAIR TARR advised the committee written testimony from Hilcorp can be found in the committee packet, and invited testimony will be heard from ExxonMobil Corporation, ConocoPhillips Alaska, Inc., and Great Bear on 2/24/17. Further, committee questions regarding previous testimony have been submitted, and the responses from DOR and other sources have been distributed.

[HB 111 was held over.]

[8:02:34 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 8:02 p.m.