

SENATE FINANCE COMMITTEE

May 6, 2025

9:02 a.m.

9:02:45 AM

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Donny Olson, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Mike Cronk
Senator James Kaufman
Senator Jesse Kiehl
Senator Kelly Merrick

MEMBERS ABSENT

None

ALSO PRESENT

Liz Harpold, Staff, Senator Donny Olson; Senator Giessel, Sponsor; Luke Saugier, Hilcorp Alaska, Alaska Senior Vice President; Sharon Lechner, Chief Executive Officer, Commercial Fishing and Agriculture Bank.

PRESENT VIA TELECONFERENCE

Todd MacManus, Alaska Bankers Association, Ketchikan.

SUMMARY

SB 92 CORP. INCOME TAX; OIL and GAS ENTITIES

SB 92 was HEARD and HELD in committee for further consideration.

SB 156 AK COMMERCIAL FISHING and AG BANK; LOANS

SB 156 was HEARD and HELD in committee for further consideration.

SB 184 SCHOOL BOND DEBT REIMBURSEMENT

SB 184 was HEARD and HELD in committee for further consideration.

#sb184

SENATE BILL NO. 184

"An Act relating to school bond debt reimbursement; and providing for an effective date."

[9:02:45 AM](#)

LIZ HARPOLD, STAFF, SENATOR DONNY OLSON, introduced the legislation. She provided history on the moratorium.

[9:05:35 AM](#)

Co-Chair Hoffman OPENED public testimony.

Co-Chair Hoffman CLOSED public testimony.

Senator Kiehl discussed the fiscal note.

SB 184 was HEARD and HELD in committee for further consideration.

#sb92

SENATE BILL NO. 92

"An Act establishing an income tax on certain entities producing or transporting oil or gas in the state; and providing for an effective date."

[9:11:30 AM](#)

SENATOR GIESSEL, SPONSOR, reintroduced the bill.

[9:15:33 AM](#)

LUKE SAUGIER, HILCORP ALASKA, ALASKA SENIOR VICE PRESIDENT, discussed the presentation, "Senate Finance Committee: SB 92" (copy on file). He began with slide 2, "Hilcorp Alaska Overview":

- Overview:
 - Employee Count: 1,700
 - Contractor Count: 2,500
 - Gross Oil Production: 350 kboe/d
 - Net Oil Production: 159 kboe/d
 - More than 700 partnerships with local business, generating over \$750 million in annual spend with Alaska vendors
- Hilcorp Alaska Key Events:
 - 2012 - Hilcorp enters Alaska with the purchase of Chevron's Cook Inlet assets
 - 2014 - An acquisition from BP expands our operations to include the North Slope
 - 2020 - Hilcorp buys BP's remaining assets in the state, becoming Alaska's largest operator
 - 2024 - Hilcorp's footprint on the Slope expands as Eni and Chevron exit the state
 - Hilcorp purchases the Spartan 151 jack-up rig to prevent it from leaving Alaska

[9:19:14 AM](#)

Mr. Saugier pointed to slide 3, "Setting Records at Milne." He addressed slide 4, "Milne Point Case Study, Finding New Opportunities and Growing Production":

Development Highlights:

- Grew production by 250 percent since acquisition in 2014
 - 127 wells drilled (14 with coiled tubing)
 - 58,000 bbls of polymer solution injected daily
 - 60 percent more produced fluid processed daily vs pre-acquisition
 - 21 ESP to jet pump conversions
 - Two new pads constructed
 - Increased field production by more than 30,000 BOPD since acquisition, more than doubling production
 - Tripled proved reserves since acquisition while replacing runoff
 - Invested \$1.5 billion in development capital

[9:23:00 AM](#)

Mr. Saugier looked at slide 5, "Operating Efficiency":

Ownership and Alignment

- Investing in equipment upgrades
- Empowering employees to make decisions

Urgency

- Field and office alignment results in innovative wins
- Improving operating efficiency requires hundreds of small wins

Integrity and Innovation

- Investing in new wells
- Reduce emissions
- Operate safely and responsibly

Senator Merrick recalled Mr. Saugier stating that it cost almost ten times more to do business in Alaska than it does in Texas. She wondered why there was continued investment in Alaska.

[9:27:12 AM](#)

Mr. Saugier replied Alaska had been beneficial to his company.

Co-Chair Stedman asked about the participation of credit for the project.

Mr. Saugier replied that there had been a slow movement toward providing capital for the project.

[9:29:47 AM](#)

Senator Kiehl queried whether the share of cost was the same as the share to the state.

Mr. Saugier replied in the affirmative.

Mr. Saugier discussed slide 6, "The Hilcorp 'Wedge.'" He looked at slide 7, "The Hilcorp 'Wedge.'"

[9:44:10 AM](#)

Co-Chair Stedman looked at slide 7, and asked for an explanation of the production tax.

[9:45:56 AM](#)

Senator Kiehl wondered whether Hilcorp's entrance "tilted the playing field" against the other two owners.

Mr. Saugier replied that major international c-corporations were different than independent oil producers.

Senator Kiehl felt that the different company structure showed a higher profit.

Mr. Saugier felt that was a misconception.

Senator Kiehl wondered whether the bill would not let Hilcorp make deductions outside of Alaska.

Mr. Saugier did not know.

[9:49:55 AM](#)

Senator Cronk queried the total number of barrels of oil per day produced by Hilcorp in Alaska.

Mr. Saugier replied that Hilcorp kept approximately 135,000 barrels of oil per day, and operated significantly more of that.

Senator Kaufman that there was a disincentive caused by even a "hint" of impending change. He wondered about the net value argument, and asked for clarification about the net dollars.

Mr. Saugier replied that the current slide showed a value increase from 2019 to present day.

[9:53:49 AM](#)

Senator Kiehl asked about a perspective of the entire North Slope. He remarked on the major fields that were yet to be explored, and one that had production. He wanted to understand that difference and the role of the tax in question.

Mr. Saugier replied that Hilcorp brought a new 80,000 barrels per day, but he could not speak to the other investments.

[10:00:30 AM](#)

Senator Cathy Giessel reintroduced a statement made on February 6, 2020.

SB 92 was HEARD and HELD in committee for further consideration.

#sb156

SENATE BILL NO. 156

"An Act relating to the Department of Commerce, Community, and Economic Development; relating to the Alaska Commercial Fishing and Agriculture Bank; relating to certain loans made by the Alaska Commercial Fishing and Agriculture Bank; and providing for an effective date."

[10:05:22 AM](#)

SENATOR JESSE KIEHL, SPONSOR, introduced the legislation.

[10:10:40 AM](#)

Co-Chair Stedman wondered why there was not a repeal to the previous legislation.

Senator Kiehl stated that there was headwind against the commercial fishing industry, so there was interest in refinancing existing loans.

Co-Chair Stedman queried the commercial banking industry.

Senator Kiehl replied that there was a letter from the bankers, who were consistent in their philosophy on the state's participation of lending.

[10:13:31 AM](#)

Co-Chair Stedman felt that the state should consider alternative options to maintain partnerships with the banking industry.

Senator Kaufman asked about Alaska Industrial Development and Export Authority (AIDEA), and whether they would not engage in the lending.

Senator Kiehl replied that the difference was the direct connection to the Alaska businesses in the commercial fishing industry by using a limited entry permit as collateral.

[10:18:58 AM](#)

SHARON LECHNER, CHIEF EXECUTIVE OFFICER, COMMERCIAL FISHING AND AGRICULTURE BANK, spoke to the importance of the interest rate to the industry and local communities.

Co-Chair Stedman asked whether there was a two-year window.

Ms. Lechner replied that there was not an expectation to go broke, because there was significant equity.

[10:24:29 AM](#)

Co-Chair Hoffman OPENED public testimony.

[10:24:48 AM](#)

TODD MACMANUS, ALASKA BANKERS ASSOCIATION, KETCHIKAN (via teleconference), opposed the bill.

Co-Chair Hoffman CLOSED public testimony.

Co-Chair Stedman reviewed the fiscal notes.

Senator Kiehl thanked the committee.

SB 156 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[10:32:33 AM](#)

The meeting was adjourned at 10:32 a.m.