

SB

305

(FILE 4)



Alaska State Legislature

Please enter into the record my testimony to the Sen. Resource Cmte
committee name

Committee on HB488/SB305, dated 2-25-06
bill # / subject public hearing date

Signed: James Richert
Testifier

Representing (optional)
9201 Mountree Dr Anchorage 35290 Ken Salmon
Address 2071
(907) 727-2710 Funny River, AK
Phone number

2/24/2006

The Petroleum Production Tax (PPT) legislation currently under consideration by the State Legislature is part an agreement between the sponsor group (BP, ExxonMobil & ConocoPhillips) which covers fiscal terms for both oil and gas. The agreement represents a finely balanced package that will support the producers strategy to develop the massive oil and gas resources on the North Slope. It is a big milestone in delivering that strategy to the future of oil and gas in Alaska. Any further tax increase will jeopardize that future.

Points to consider -

- The Governor and producers have worked well over a year to reach this finely balanced agreement. Please don't mess this up.
- Alaska has abundant natural resources, but they are challenged by cost and geography
- The producers are working hard to apply innovative technologies to bring Alaska's oil and gas resources to energy consumers.
- These investments mean jobs for Alaskans and revenue for the state.
- But those investments won't happen if Alaska has a weak investment climate
- Alaska's fiscal policies should encourage investment and focus on growing the pie rather than taking an increased share of a shrinking pie.
- The rules of the game need to be clear and lasting. Big investments won't happen if taxes are too high, or if the rules can be changed once investments are made.
- We are on the brink of something very big: a fiscal contract that creates a healthy oil and gas business for generations to come.
- This delicately balanced legislation can help deliver that future, and I support this legislation as drafted because it enables a gas project to move ahead.
- New developments like the Ooguruk needed royalty relief to move forward, but also require infrastructure of the majors. The existing business must be healthy to provide this sort of development opportunity.
- Alaska's oil business must be healthy for gas to work.

Respectfully Yours,



James Gilbert
9201 Main Tree Dr.
Anchorage, AK. 99507

And

35280 King Salmon Ave.
Funny River, AK.

465 4779



ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the Joint Resources
 Committee on Oil & Gas Production Tax Dated 2/25/06
Committee Name
Bill / Subject

please see attached

SIGNED:

Buzz O'his

Testifier

Representing

452-5617

Address / Phone Number

Take the time necessary to fully understand both the near & long term ramifications of this bill.

As you know the decisions made this legislative session will have huge impacts for our children as well as ^{our} grandchildren.

Whatever decisions are made please take a balanced approach where the oil industry is encouraged to explore & develop the oil and gas reserves of this state & that the financial needs of our state, based on fiscal responsibility, which the legislature must exercise, are met.

In short a

Long Term, Sustainable, & Balanced approach that is good for the state, good for the producers, & good for future generations is needed!

Buzz Otis Testimony
Read by Rhonda Boyles
2/25/06

Alaska Support Industry Alliance

360 W. Benson, Ste. 200
Anchorage, AK 99503
Phone: (907) 563-2226
Fax: (907) 561-8870

Alliance**Fax**

TO: SEN. TOM WAGONER

From: PAUL LAIRD

REP. RALPH SAMUELS

Pages: COVER + 1

REP. JAY RAMRAS

Date: 2/27/06

Paul Laird, General Manager; Hillary McIntosh, Communications Manager; Joanna Oldfield, Membership/Event Coordinator;
Shirley Nelson, Administrator

I ALSO SUBMITTED THIS AT THE
LIG IN ANCHORAGE ON SATURDAY.



THE ALLIANCE

... for responsible development of Alaska's Oil, Gas & Mineral Resources

HOUSE-SENATE RESOURCES TESTIMONY.1 On House Bill 488 - Senate Bill 305 February 25, 2006

Mr. Chairman, thank you for this opportunity to comment on Senate Bill 305 and House Bill 488. My name is Paul Laird, and I'm the general manager of the Alaska Support Industry Alliance.

As a trade organization representing companies and individuals that provide goods and services for Alaska's oil, gas and minerals industries, we know first-hand the critical role that investments in oil and gas exploration and development play in sustaining our members' businesses. As Alaskans, we also know the critical role they play in the future of our state's economy.

We're encouraged by the tax credits and annual allowance contained in these bills, because we believe they will achieve their goal of stimulating new investments both in developing known oil and gas resources and in finding new ones.

To the extent that this legislation could represent a critical step toward providing the fiscal stability and predictability investors will need in order to build a multibillion-dollar gas project, we're encouraged by that, too.

But the Alliance is also deeply concerned about the prospect of a \$1 billion annual tax increase on the industry that's already providing about 90% of Alaska's state revenues and the potential impacts on Alaska's competitiveness and its ability to attract the investments that are our state's lifeblood.

We're also concerned about extracting another \$1 billion a year from the private sector in order to provide even greater funding to a state government that's already projecting a \$1.2 billion budget surplus in the short term, that's growing at a disturbing rate and that still has no fiscal plan for managing excess funds during the good times or balancing the budget when times are lean.

This legislation is very complex, and it has historic implications not only for our industry, but for our state. We, like you, are still working to fully understand the implications to future investments, and thereby, to the economic future of Alaska.

As you consider how to ensure that Alaska gets its "fair share" of the profits from oil and gas production, which effectively means more money to grow the size of state government, the Alliance's 400 member organizations and the more than 30,000 employees who work for them in Alaska urge you to also consider what effect this legislation will have on growing Alaska's economy, and on Alaskans getting our fair share of the private sector jobs and business opportunities that will only come through new oil and gas investments.

ALASKA SUPPORT INDUSTRY ALLIANCE

360 W. Benson Blvd., Suite 200 • Anchorage, Alaska 99503 • Phone: (907) 563-2226 • Fax: (907) 561-8870 • www.alaskaalliance.com

Senator Wagoner,

Enclosed is my testimony on SB 305 Saturday.

For a small Independent Oil Company, it is critical that the \$73M deduction stays in the bill along with the tax credits and the ability to sell them.

Jim Weeks, a partner and the CEO of Ultrastar and Winstar may come to Juneau and testify as a stake holder. While there, he may stop in and see you. He is a former Arco executive with extensive experience on the slope.

John Winther

MR. CHAIRMAN, MEMEBERS OF THE COMMITTEE

THANK YOU FOR THE OFPORTUNITY TO TESTIFY ON SB 305.

FOR THE RECORD, MY NAME IS JOHN WINTHER AND I RESIDE IN PETERSBURG.

MY PRIMARY BUSINESS IS FISHING, BUT I AM ASLO AN OWNER OF TWO INDEPENDENT OIL COMPANIES THAT OWN ACREAGE ON THE NORTH SLOPE WITH HOPES OF BECOMING A PRODUCER.

IN 1997, DALE LINDSEY, MYSELF AND SEVERAL OTHERS FOUNDED WINSTAR PETROLEUM IN 1997. WE SUCESSFULLY BID ON LEASES TOTALING ABOUT 20,000 ACRES OVER THE NEXT SEVERAL YEARS.

IN 2002 DALE LINDSEY, JIM WEEKS AND I STARTED ANOTHER COMPANY CALLED UNLTRASTAR EXPLORATION. WE CURRENTLY HOLD 4700 ACRES NORTH SLOPE .

DALE AND I WERE INSTRUMENTAL IN GETTING THE PROVISIONS IN THE CHARTER FOR DEVELOPMENT THAT IS IN THE MERGER AGREEMENT BETWEEN BP AND ARCO. I CAN SAY WITH OUT THESE PROVISIONS IN THE CHARTER FOR DEVELOPMENT, THERE WOULDN' T BE ANY OPPORTUNITY FOR AN INDEPENDENT ON THE NORTH SLOPE TODAY. THE KEY PROVISIONS WERE ACCESS TO THEIR FACILITIES ON REASONABLE TERMS, THE MAJORS HAD TO PURCHASE UP 5000 BBL/DAY OF PRODUCTION, THEY WERE REQUIRED TO SELL SEISMIC TO AN INDEPENDENT, AND THERE WAS A BINDING ARBITRATION CLAUSE IN THE EVENT TERMS AND CONDITIONS CANNOT BE AGREED.

DALE AND I ALSO WENT TO WASHINGTON DC ON OUR OWN TO COMMENT ON THE MERGER AND PARTLY BECAUSE OF OUR EFFORTS, THE ARCO ASSETS IN ALASKA HAD TO BE SOLD OFF. THIS LED TO PHILLIPS COMING TO ALASKA. WE FELT THERE HAS TO BE THREE MAJORS ON THE SLOPE TO ENSURE COMPETITION.

WE ARE UNIQUE IN THAT I BELIEVE WE ARE THE ONLY ALASKAN OWNED INDEPENDENT OIL COMPANY TO EVER DRILL A WELL ON THE NORTH SLOPE. WE DID THIS IN 2003 ON A LEASE WE OWNED NORTH OF OLIK TOK POINT. WE CONTRACTED WITH CONOCCO TO DRILL AND IF WE WERE SUCESSFUL, TO DRILL ANOTHER WELL AND OPERATE THE WELLS. I WISH I COULD SAY WE STRUCK OIL, BUT ALL WE FOUND WAS WATER.

WHILE WE WERE DISAPPOINTED, WE WEREN' T DISCOURAGED AND BEGAN NEGOCIATING WITH BP TO DRILL A WELL FOR US AT PT MCINTIRE. WE

EXPECT TO COMPLETE THESE NEGOTIATIONS IN TIME TO DRILL A WELL LATER THIS YEAR.

I AM HERE TO SUPPORT SB305. WHILE THERE ARE MANY PARTS TO THIS BILL, I SUPPORT WHAT TO ME IS THE MAJOR PARTS OF THE BILL THAT IS THE 20% TAX LISTED IN SECTION 5 ON PAGE 2 OF THE BILL, THE \$73 M DEDUCTION AND THE TAX CREDIT PROVISIONS THAT ARE ALSO IN THE BILL.

I SEE THAT THERE IS SOME SUPPORT IN THIS LEGISLATURE FOR RAISING THE 20% TAX ON OIL AND GAS PRODUCTION. I URGE YOU TO LEAVE THIS AS NEGOTIATED BY GOVERNOR MURKOWSKI.

RAISING THIS TAX IS GOING TO DISCOURAGE EXPLORATION AND DEVELOPMENT BY THE MAJORS.

BEFORE BECOMING INVOLVED IN THE OIL INDUSTRY, I DIDN'T REALLY UNDERSTAND MUCH ABOUT BIG OIL, OTHER THAN THAT THEY MADE HUGE MONEY AND PUMPED A LOT OF OIL, AT LEAST THAT IS WHAT I THOUGHT.

AFTER DEALING WITH THEM, I HAVE A BETTER UNDERSTANDING ON HOW THEY WORK AND WHY THEY DO THINGS THE WAY THEY DO.

I THINK THE MOST IMPORTANT THING TO REMEMBER IS THEY HAVE MORE OPPORTUNITIES TO DRILL FOR OIL AROUND THE WORLD THAN THEY HAVE THE MONEY FOR SO THEY HAVE TO PICK AND CHOOSE THEIR PROJECTS. IT IS A WELL KNOWN FACT THAT ALASKA IS THE MOST COSTLY PLACE TO DO BUSINESS, BUT IT IS ALSO THE MOST POLITICALLY STABLE OIL SUPPLY FOR THE UNITED STATES IN THE WORLD. WHILE WE MAY THINK ALASKA IS A PLACE THEY MUST DO BUSINESS, I DOUBT THEY THINK THAT WAY. THIS 20% IS WHAT THEY HAVE AGREED TO AND I THINK IT SHOULD NOT BE RAISED.

WE WHO WERE IN ALASKA KNOW WHAT KIND OF ECONOMY WE HAD BEFORE OIL AND IT WASN'T WHAT YOU CALL ROBUST. I THINK THE STATE BUDGET IN 1967 OR 68 WAS \$98M.

OUR PRODUCTION IS DECLINING EVERY YEAR SO WHY DISCOURAGE DEVELOPMENT BY INCREASING THIS 20% TAX?

THE \$73M DEDUCTION IS SOMETHING THAT HEAVILY FAVORS THE INDEPENDENTS AND REALLY DOESN'T DO MUCH FOR THE MAJORS BECAUSE OF THEIR HIGH PROFITS SO, I URGE YOU TO KEEP THIS IN THE BILL ALONG WITH THE TAX CREDITS.

IN CLOSING, SOME OF MY REMARKS MAY SOUND LIKE I'M SPEAKING FOR THE MAJORS, BUT I'M NOT. HAVING NEGOTIATED WITH THEM TO DRILL A WELL FOR US, I LEARNED A LOT ABOUT THEM AND I RESPECT THE WAY THEY DO BUSINESS. AT 20% ALASKA, IS GOING TO DO VERY WELL AND TRYING TO GET MORE MAY WORK BUT YOU MAY HAVE DISGRUNTLED MAJORS WHICH IN THE LONG RUN ISN'T GOOD. AGAIN I URGE YOU TO SUPPORT AND APPROVE THE KEY PROVISIONS OF THIS BILL.

ALASKA LEGISLATURE - LEGISLATIVE AFFAIRS AGENCY - ONLINE TELECONFERENCE ORDER FORM

Note: All Fields Must Be Completed

New Meeting Update to an existing meeting Cancel Meeting

Sponsor and/or Committee Name:

Date of Teleconference:

Start Time: End Time:

Chairing Site: Juneau Room:

Testimony: Yes No Invitation Only N/A

Testimony Time Limit: 1 min 2 min 3 min 5 min no time limit other - see instructions

Will there be an Executive Session during this meeting? Yes No

Contact Person

Telephone Number

Email Address

- LIO sites: Anchorage Barrow Bethel Cordova Delta Junction Dillingham Fairbanks Glennallen Homer Juneau Kenai Ketchikan Kodiak Kotzebue Matsu Nome
- Other sites may add? Yes No
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- Please list all offnet callers

- Petersburg
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Subject of meeting and/or Bills on Agenda

public hearing on SB 305

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RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

February 24, 2006

Senator Tom Wagoner
Chair, Senate Resources Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Representative Ralph Samuels
Chair, House Resources Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Re: Governor Murkowski's Proposed Petroleum Production Tax

Dear Senator Wagoner and Representative Samuels:

On behalf of the Resource Development Council for Alaska, Inc. (RDC), I am writing to provide our initial comments regarding Governor Murkowski's proposed petroleum production tax as articulated in House Bill 488 and Senate Bill 305.

RDC is a private, non-profit business association comprised of individuals and leading companies from Alaska's oil and gas, mining, forest products, fisheries and tourism industries. The association's membership also includes construction companies, local communities, Native corporations, organized labor and a wide range of industry-support firms. RDC works to grow Alaska's economy through the responsible development of the state's natural resources.

Having had only four days to review this complicated piece of legislation, RDC is not yet prepared to offer detailed feedback on its technical provisions. However, we intend to participate in the ongoing legislative process and to offer more thorough remarks upon further analysis and consultation with our most affected members. At this time, RDC has two major concerns regarding the legislation.

First, the Governor's proposal targets the one industry already responsible for providing nearly 90 percent of Alaska's general fund revenues. It would annually take an additional \$1 billion from the oil and gas industry at current prices. How will the Legislature manage this new windfall going forward? This industry-specific tax proposal comes at a time when the state is wrestling with the question of how best to manage an estimated \$1.5 billion revenue surplus under the current tax system.

RDC — in cooperation with a host of other business, community and social service organizations — has advocated the development of a long-term state fiscal plan for nearly a decade. During this period we have argued the state must do more to bring recurring revenues in line with expenditures in order to achieve tax stability and create a positive and predictable business climate. How the state manages surplus revenues is as important as managing deficits when it comes to accomplishing these policy goals.

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- Governor Frank Murkowski

It seems clear the proposed petroleum production tax will generate additional revenue at high oil prices. However, it does not necessarily make Alaska's revenue stream from oil more predictable or stable. In fact, under the proposed progressive system the state is assuming certain risks. Given these facts, how will the Legislature address periods of low prices without further penalizing the state's largest revenue-producing industry?

Secondly, how will this increased tax burden affect future investment and exploration in Alaska's oil patch? Maintaining significant production throughput in TAPS is paramount to the future health of both the industry and the state's general fund coffers. It is not clear to RDC at this stage that increasing the state's take by \$1 billion annually facilitates new investment in the Alaska economy.

If the Legislature moves forward with a new oil tax regime, it must focus on providing incentives for both new frontier exploration and increased investment in existing fields and known resources such as heavy oil. Without ongoing capital infusions, Alaska risks an accelerated decline in production flowing through TAPS. In addition to incorporating proper investment incentives, the Legislature must analyze whether a new tax regime places Alaska at a competitive disadvantage for capital investment. Ideally the Legislature will utilize the state's tax regime to create competitive advantages for investment.

RDC's membership is always concerned when new industry taxes are proposed. The petroleum production tax is a proposal with massive potential consequences to the long-term wellbeing of Alaska's largest industry and the health of the state's general fund. We urge the Legislature to carefully analyze House Bill 488 and Senate Bill 305 and we look forward to participating in the public dialogue on this issue. Thank you for your attention to the Governor's proposal and for your consideration of RDC's position on House Bill 488 and Senate Bill 305.

Sincerely,

RESOURCE DEVELOPMENT COUNCIL
For Alaska, Inc.



Tadd Owens
Executive Director



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Phone: (907)272-1481 Fax: (907)279-8114
Email: brady@aoga.org
Judith Brady, Executive Director

TO: Senator Tom Wagoner
Senate Resources Chairman

Representative Ralph Samuels
House Resources Co-Chairman

Representative Jay Ramras
House Resources Co-Chairman

FROM: Judith Brady, AOGA Executive Director

DATE: February 24, 2006

RE: Written Testimony for Joint Resources Committee – February 25, 2006

Thank you for the opportunity to provide written testimony for the Joint Resources Committee, Saturday, February 25, 2006 regarding HB 488 and SB 305 – Governor Murkowski's proposal to create a new production tax on the net value of oil and gas.

The Governor's proposal is estimated to be a billion dollar annual tax increase on the Alaska oil and gas industry – doubling the severance tax collected from the current system. This is, by any standard, an unprecedented increase that is of significant concern to AOGA.

Any changes to the existing tax system should continue to maintain as well as improve Alaska's competitiveness in the world in order to attract new capital spending. Increased industry spending will result in greater oil and gas production, more revenue to the State and more jobs for Alaskans. Alaska should strive to be in the upper quartile of competitiveness to attract companies and grow the Alaska private sector economy.

As we all know, this bill is complex. Individual AOGA member companies will need time to fully evaluate the details contained in the 22-page proposal and determine how the provisions of the bill affects each of their operations.

We look forward to working with you.

Cc: Members of House & Senate Resources Committees