

**HB**

**110**

<TARGET><BILL>HB 110</BILL><SUBJECT>HB  
110</SUBJECT><COMM>HRES27</COMM></TARGET>

# State of Alaska

Department of Revenue  
*Administrative Services Division*



**SEAN PARNELL, GOVERNOR**

333 Willoughby Avenue, 11<sup>th</sup> Floor

P.O. Box 110400

Juneau, Alaska 99811-0405

Phone: (907) 465-2300

Fax: (907) 465-2394

January 20, 2011

The Honorable Eric Feige  
The Honorable Paul Seaton  
House Resources Committee  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801

Dear Representatives Feige and Seaton:

House Bill 110 was read across the floor on January 18, 2011 and transmitted to the House Resources Committee for consideration. I respectfully request a hearing to be scheduled at your earliest convenience for the changes to the production tax on oil and gas to be discussed.

Governor Parnell is committed to getting more oil into the pipeline and increasing job opportunities for Alaskans. As oil production declines and as the federal government moves on several fronts to block responsible projects, we must offer more incentives for development of state lands.

House Bill 110:

- Establishes a lower base tax rate for areas outside of current fields and units to encourage development of undeveloped leases or properties;
- Caps overall production tax rates to encourage investment at most commodity prices;
- Establishes a bracket system based on existing ACES tax rates;
- Extends tax incentives available in Cook Inlet to the North Slope to encourage in-field drilling in existing units;
- Limits the time for assessment of additional production taxes; and
- Reduces the interest rate on delinquent taxes and refunds.

These changes are aimed at ensuring that the state continues to receive fair compensation for the sale of its resource while establishing a more competitive investment climate for job creation.

If the Committee requires any additional information, please contact me.

Sincerely,

Ginger Blaisdell  
Director

STATE CAPITOL  
PO Box 110001  
Juneau, Alaska 99811-0001  
907-465-3500  
fax: 907-465-3532



550 West 7th Avenue #1700  
Anchorage, Alaska 99501  
907-269-7450  
fax: 907-269-7463  
www.gov.alaska.gov  
Governor@alaska.gov

Governor Sean Parnell  
STATE OF ALASKA

January 17, 2011

The Honorable Mike Chenault  
Speaker of the House  
Alaska State Legislature  
State Capitol, Room 208  
Juneau, AK 99801-1182

Dear Speaker Chenault,

Oil production in Alaska remains the backbone of our economy. As oil production declines and as the federal government forbids multiple development opportunities we must better incentivize development of state lands. To that end, under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill to make Alaska more competitive as an oil producing state by proposing amendments to Alaska's oil and gas production tax.

The bill would provide tax incentives and credits for the oil and gas industry to increase exploration for, and development of, Alaska's oil and gas resources at any price range. We must remain focused on getting more oil into the pipeline, and creating jobs for Alaskans.

The bill accomplishes six primary goals: (1) encourages development of new, currently undeveloped leases or properties; (2) encourages investment in exploration, development, and production at all price ranges; (3) strengthens the minimum tax; (4) extends tax incentives to North Slope activities and allows producers to apply tax credits in one year; (5) limits the time for assessment of additional production taxes; and (6) reduces the interest rate on delinquent taxes and refunds. These changes would ensure the State continues to receive reasonable revenue and establish a more competitive investment climate for job creation.

These amendments to Alaska's oil tax regime will foster new production sources to stem the decline in North Slope production. More oil means more jobs for Alaskans, more long-term revenue to the State, and lower Trans-Alaska Pipeline System tariffs per barrel.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink that reads "Sean Parnell".

Sean Parnell  
Governor

Enclosure

# State of Alaska

Department of Revenue  
*Administrative Services Division*



**SEAN PARNELL, GOVERNOR**

333 Willoughby Avenue, 11<sup>th</sup> Floor

P.O. Box 110400

Juneau, Alaska 99811-0405

Phone: (907) 465-2300

Fax: (907) 465-2394

January 20, 2011

The Honorable Eric Feige  
The Honorable Paul Seaton  
House Resources Committee  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801

## **HB110 Production Tax on Oil and Gas By Request of the Governor**

### **SECTION ANALYSIS**

**Sections 1-3:** Sections 1-2 are conforming amendments to reflect changes to AS 43.05.225. Section 3 amends AS 43.05.225(1) to provide that the tax rate on delinquent taxes under Title 43 is charged at the lower of three percentage points above the applicable annual federal rate or at the annual rate of 11 percent. This provision is to be effective July 1, 2011.

**Section 4-5:** Conforming amendment required by amendment to AS 43.05.225, interest rates due on delinquent taxes.

**Section 6:** Amends AS 43.55.011(e) to levy the annual production tax at the rate of 25 percent plus progressivity for oil and gas from a lease or property containing land that as of December 31, 2010, was or had previously been within a unit or in commercial production. A new tax rate of 15 percent, plus an annual progressivity tax, is levied on oil and gas produced from a lease of property containing land that had not previously been in a unit or in commercial production prior to December 31, 2010. For each category of production, the progressivity tax is levied on an annual basis. This amendment would be effective January 1, 2013, and apply to production after December 31, 2012.

**Section 7:** AS 43.55.020(f) is amended to lower the threshold prices at which the minimum tax applies, and would apply to production after December 31, 2012.

**Section 8:** AS 43.55.011(g) is repealed and reenacted to provide an annual incremental progressivity tax for all production. The applicable incremental progressivity tax rate applies only to the fraction of average annual production tax value per BTU equivalent barrel that falls within that incremental rate. For production subject to the 25 percent base rate, progressivity is capped at 25 percent above the base rate, for a maximum rate of 50 percent. For production subject to the 15 percent base rate, progressivity is capped at 25 percent above the base rate, for a maximum rate of 40 percent. This change would be effective January 1, 2013, and apply to production after December 31, 2012.

**Section 9:** AS 43.55.020, monthly payments of estimated taxes, is repealed and reenacted to account for the annual progressivity calculation and the new tax rate for certain fields.

**Section 10:** Conforming amendment related to interest rate changes.

**Section 11:** AS 43.55.023(a) is amended to remove the requirement that tax credits for qualified capital expenditures be applied against taxes or certificated over two years. This change would be effective January 1, 2012, and would apply to production after December 31, 2011.

**Section 12:** AS 43.55.023(d) is amended to provide that transferable tax credit certificates will be issued as one certificate. This is to be effective January 1, 2012, for expenditures after December 31, 2011.

**Sections 13-14:** AS 43.55.023(g) is amended to reflect the interest rate change, and to reflect the repeal of AS 43.55.023(m), related to the issuance of well lease expenditure credit certificates.

**Sections 15-16:** AS 43.55.023 (l) and (n) are amended to expand the 40 percent well lease expenditure credit to qualified expenditures made on leases or properties north of 68 degrees North Latitude. This change is to be effective January 1, 2012, for expenditures after December 31, 2011.

**Sections 17 -18:** Conforming amendments are made to AS 43.55.028 (e) and (g) to reflect the repeal of AS 43.55.023(m).

**Section 19:** AS 43.55.075(a) is amended to change the statute of limitations for assessment of additional production taxes from six years to four years after the return is filed. This change is applicable to production after December 31, 2013, for tax liability beginning tax year 2014.

**Sections 20:** AS 43.55.160(a) is repealed and reenacted to account for changes in the calculation of the progressivity tax, and to account for new tax rates for certain production under AS 43.55.011(e) (2).

**Sections 21-23.** These sections make conforming amendments to account for interest rate change.

**Section 24:** AS 43.55.023(m) is repealed, all capital credit certificates, regardless of the location of the exploration, development or production expenditures, will be issued as one certificate.

**Section 25:** The applicability provision clarifies that sections 11, 12, 15 and 16 apply to expenditures made after December 31, 2011; sections 6-9 and 20 apply to oil and gas produced after December 31, 2012, and section 19 applies to any tax liability for the production of oil and gas after December 31, 2013 and

**Section 26:** This section provides that the Department of Revenue will have authority to adopt regulations to implement this Act, not to be effective before the effective date of the provisions implemented by this Act.

**Section 27:** The provisions related to the issuance of credit certificates and the expansion of the well lease expenditure credit to the North Slope, sections 11, 12, 14-18, 24 and 25(a), take effect January 12, 2012.

**Section 28:** The provisions related to new production and the progressivity tax, sections 6-9, 20, and 25(b), take effect January 1, 2013.

**Section 29:** The provisions related to the statute of limitations for the assessment of production taxes takes effect January 1, 2014.

**Section 30:** The provisions related to the change in the interest due on delinquent taxes and refunds take effect July 1, 2011.

# LEGAL SERVICES

JAN 31 2011

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

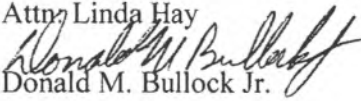
State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

January 31, 2011

**SUBJECT:** Sectional Summary for HB 110 (HB 110; Work Order No. 27-GH1007\A)

**TO:** Representative Eric Feige  
Co-Chair of the House Resources Committee  
Attn: Linda Hay

**FROM:**   
Donald M. Bullock Jr.  
Legislative Counsel

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

**Section 1.** Amends AS 05.15.095(c) to specifically identify the paragraph in AS 43.05.225 that provides the interest rate applicable to delinquent fees related to games of chance and skill.

**Section 2.** Amends AS 34.45.470(a) to specifically identify the paragraph in AS 43.05.225 that provides the interest rate applicable to the late payment or delivery of property under the Uniform Unclaimed Property Act.

**Section 3.** Amends AS 43.05.225(1) to reduce the rate of interest applicable to a delinquent tax levied under AS 43 from five to three percentage points above the identified 12 Federal Reserve District rate. Makes the minimum interest rate applicable to delinquent taxes levied under AS 43, 11 percent.

**Section 4.** Amends AS 43.20.046(i) to specifically identify the paragraph in AS 43.05.225 that provides the interest rate applicable to an increased tax liability resulting from the audit of a gas storage facility tax credit.

**Section 5.** Amends AS 43.50.570 to specifically identify the paragraph in AS 43.05.225 that provides the interest rate applicable to a late payment for the purchase of cigarette tax stamps.

**Section 6.** Amends AS 43.55.011(e) to provide two different tax rates; one rate is applicable to oil and gas produced from a lease or property containing land that was or

had previously been within a unit or in commercial production before January 1, 2011, and the other rate applicable to other oil and gas. Deletes the 25 percent tax rate and makes the tax rates in AS 43.55.011(g), as repealed and reenacted by sec. 8 of the bill, applicable to the two categories of production.

**Section 7.** Amends AS 43.55.011(f) by reducing the minimum dollar amount in each range of gross values at the point of production for the purposes of establishing the minimum tax on oil and gas produced north of 68 degrees North latitude. Makes the four percent rate applicable when the gross value at the point of production (GVPP) is more than \$20 (currently \$25), the three percent rate applicable when the GVPP is over \$17.50 but not over \$20 (currently \$20 and \$25, respectively), the two percent rate applicable when the GVPP is over \$15 but not over \$17.50 (currently \$17.50 and \$20, respectively), the one percent rate applicable when the GVPP is over \$12.50 but not over \$15 (currently \$15 and \$17.50, respectively), and a zero percent when the GVPP is \$12.50 or less (currently, \$15 or less).

**Section 8.** Repeals and reenacts AS 43.55.011(g) to provide for the application of different tax rates to different incremental ranges of production tax value. AS 43.55.011(g)(1) applies to the production described in AS 43.55.011(e)(1), that would be amended by sec. 6 of the bill; and AS 43.55.011(g)(2) applies to the production described in AS 43.55.011(e)(2), that would be amended by sec. 6 of the bill. Provides lower tax rates (15 percent to 40 percent) for production described in AS 43.55.011(e)(2), as amended by sec. 6 of the bill, compared to the tax rates (25 percent to 50 percent) for production described in AS 43.55.011(e)(1), as amended by sec. 6 of the bill.

**Section 9.** Repeals and reenacts AS 43.55.020(a) to provide for monthly installment payments of the production tax based on the amendments to AS 43.55.011(e) in sec. 6 of the bill and the new tax rates enacted by sec. 8 of the bill.

**Section 10.** Amends AS 43.55.020(g) to specifically identify the paragraph in AS 43.05.225 that provides the interest rate applicable to an unpaid production tax payment after March 31 following the calendar year of production.

**Section 11.** Amends AS 43.55.023(a) to eliminate the limitation that not more than half of the tax credit for a qualified capital expenditure may be applied for a single calendar year.

**Section 12.** Amends AS 43.55.023(d) to authorize the issuance of a single tax credit certificate that may be used to transfer the credit or to obtain a cash payment and makes the credit certificate available for immediate use. Adds "well lease expenditure" to "qualified capital expenditure" and "carried-forward annual loss" for the purpose of determining when the Department of Revenue is required to grant or deny an application for a tax credit certificate in whole or in part.

**Section 13.** Amends AS 43.55.023(g) to specifically identify the paragraph in AS 43.05.225 that provides the interest rate applicable to an increase in tax liability following an audit of a tax credit claim. Note: This section takes effect July 1, 2011, and the amendment to AS 43.55.023(g) in sec. 14 of the bill takes effect January 1, 2012 under secs. 30 and 27 of the bill, respectively.

**Section 14.** Amends AS 43.55.023(g) as amended by sec. 13 of the bill, to refer to the "former" AS 43.55.023(m) because AS 43.55.023(m) would be repealed by sec. 24 of the bill. Note: this section and sec. 24 take effect January 1, 2012, under sec. 27 of the bill.

**Section 15.** Amends AS 43.55.023(l) to make the tax credit applicable for a well lease expenditure applicable anywhere in the state (no longer just south of 68 degrees North latitude) after December 31, 2011. Conforms the timing for applying the credit to conform to the amendment to AS 43.55.023(d) in sec. 12 of the bill.

**Section 16.** Amends AS 43.55.023(n) to conform to the amendment to AS 43.55.023(l) in sec. 15 of the bill (allowing a credit for a well lease expenditure anywhere in the state), and to conform to the repeal of AS 43.55.023(m) by sec. 24 of the bill.

**Section 17.** Amends AS 43.55.028(e) to conform to the repeal of AS 43.55.023(m) by sec. 24 of the bill.

**Section 18.** Amends AS 43.55.028(g) to conform to the repeal of AS 43.55.023(m) by sec. 24 of the bill.

**Section 19.** Amends AS 43.55.075(a) to reduce the period for making an assessment of a tax imposed under AS 43.55 from six years to four after the return was filed.

**Section 20.** Repeals and reenacts AS 43.55.160(a) to conform to the amendment to AS 43.55.011(e) in sec. 6 of the bill, and to address the period in which the tax limitations in AS 43.55.011(j), (k), and (o) are applicable.

**Section 21.** Amends AS 43.56.160 to specifically identify the paragraph in AS 43.05.225 that provides the interest rate applicable to delinquent oil and gas exploration, production, and pipeline transportation property taxes.

**Section 22.** Amends AS 43.77.020(d) to specifically identify the paragraph in AS 43.05.225 that provides the penalty rate (based on the interest rate) applicable to delinquent quarterly fishery resource landing taxes.

**Section 23.** Amends AS 43.90.430 to specifically identify the paragraph in AS 43.05.225 that provides the interest rates on payments due to the state under AS 43.90 (Alaska Gasline Inducement Act).

**Section 24.** Repeals AS 43.55.023(m). Takes effect January 1, 2012, under sec. 27 of the bill.

**Section 25.** Makes secs. 11, 12, 15, and 16 of the bill apply to expenditures incurred after December 31, 2011. Makes secs. 6 - 9 and 20 apply to oil and gas produced after December 31, 2012. Makes sec. 19 apply to any tax liability for the production of oil and gas after December 31, 2013.

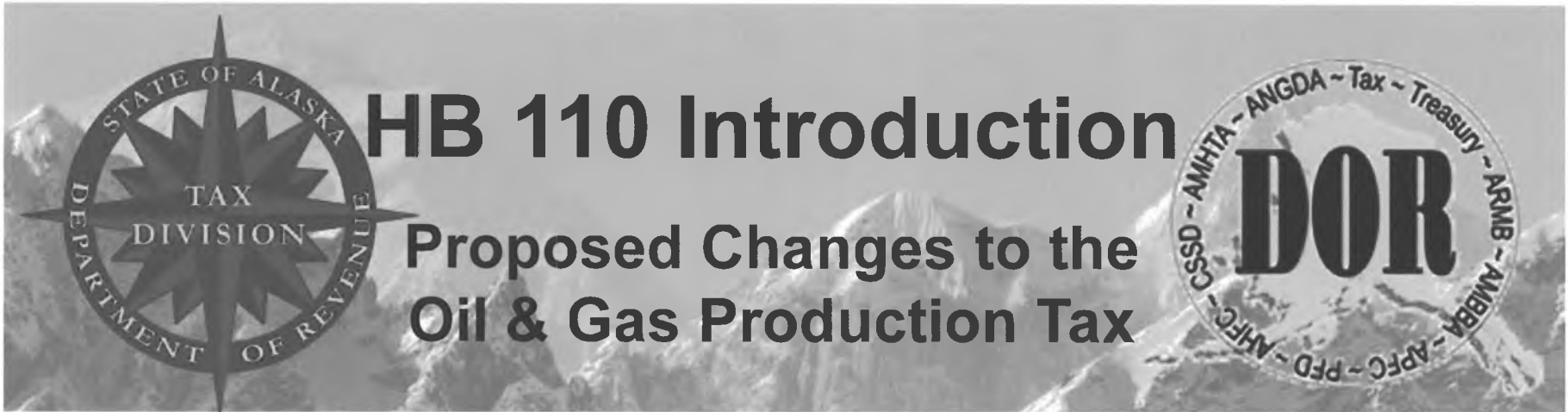
**Section 26.** Authorizes the Department of Revenue to adopt regulations and provides that the regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the provision being implemented by the regulation.

**Section 27.** Makes secs. 11, 12, 14 - 18, 24, and 25(a) take effect January 1, 2012.

**Section 28.** Makes secs. 6 - 9, 20, and 25(b) take effect January 1, 2013.

**Section 29.** Makes secs. 19 and 25(c) take effect January 1, 2014.

**Section 30.** Makes secs. not included in secs. 27 - 29 take effect July 1, 2011.



*Presentation to the  
House Resources Committee  
February 7, 2011  
Alaska Department of Revenue*



## Outline for Presentation



- **Goals of HB 110**
- **Why should we change Alaska's oil tax regime?**
- **Components of HB 110**
- **How do Alaska's oil taxes work?**



# Goals of HB 110



- **Address Progressivity**
- **Promote Infield Drilling**
- **Promote Development of New Fields**



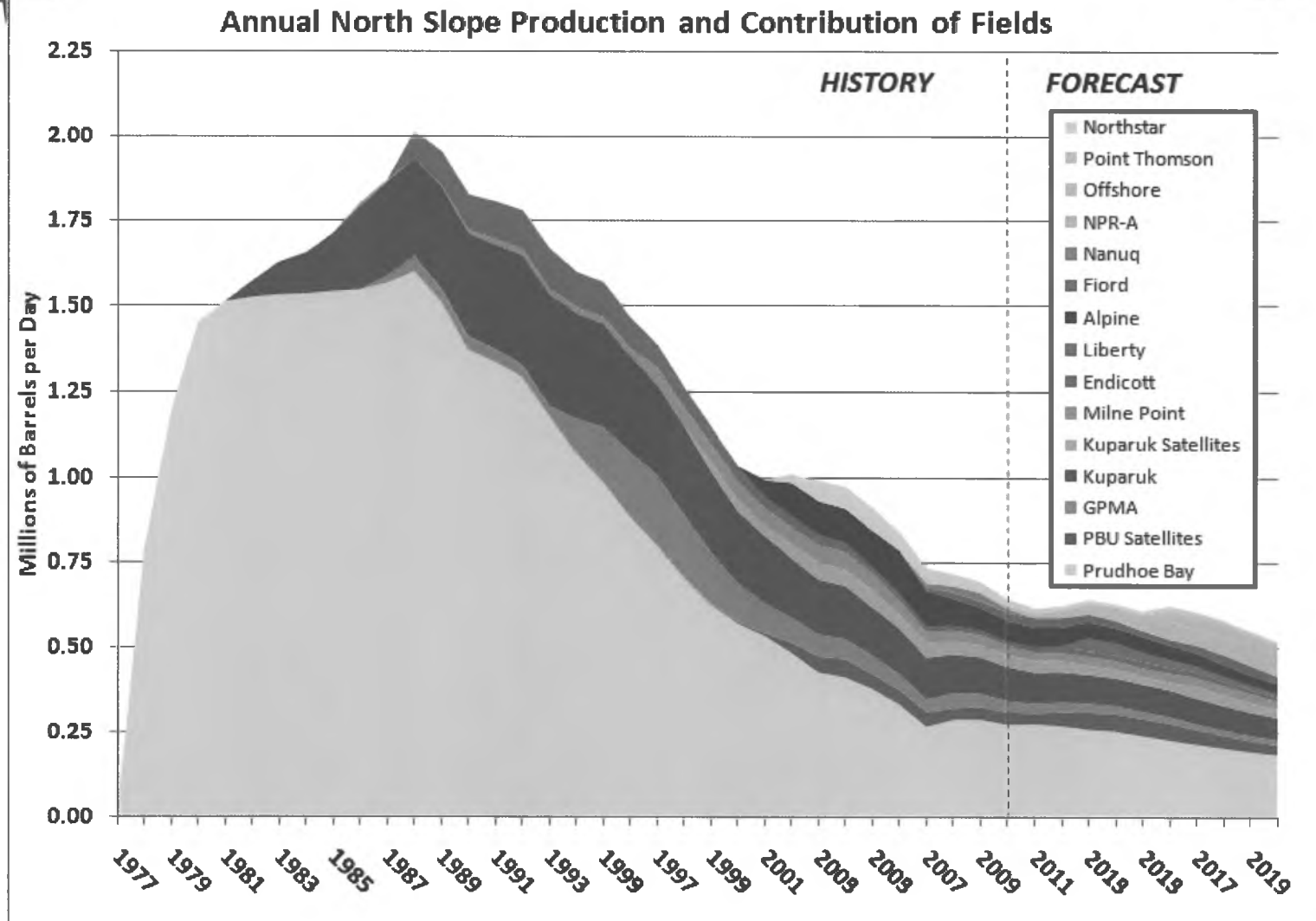
# Why should we change Alaska's oil tax regime?



- **To be more competitive**
- **To create more jobs for Alaskans**
- **To increase production**



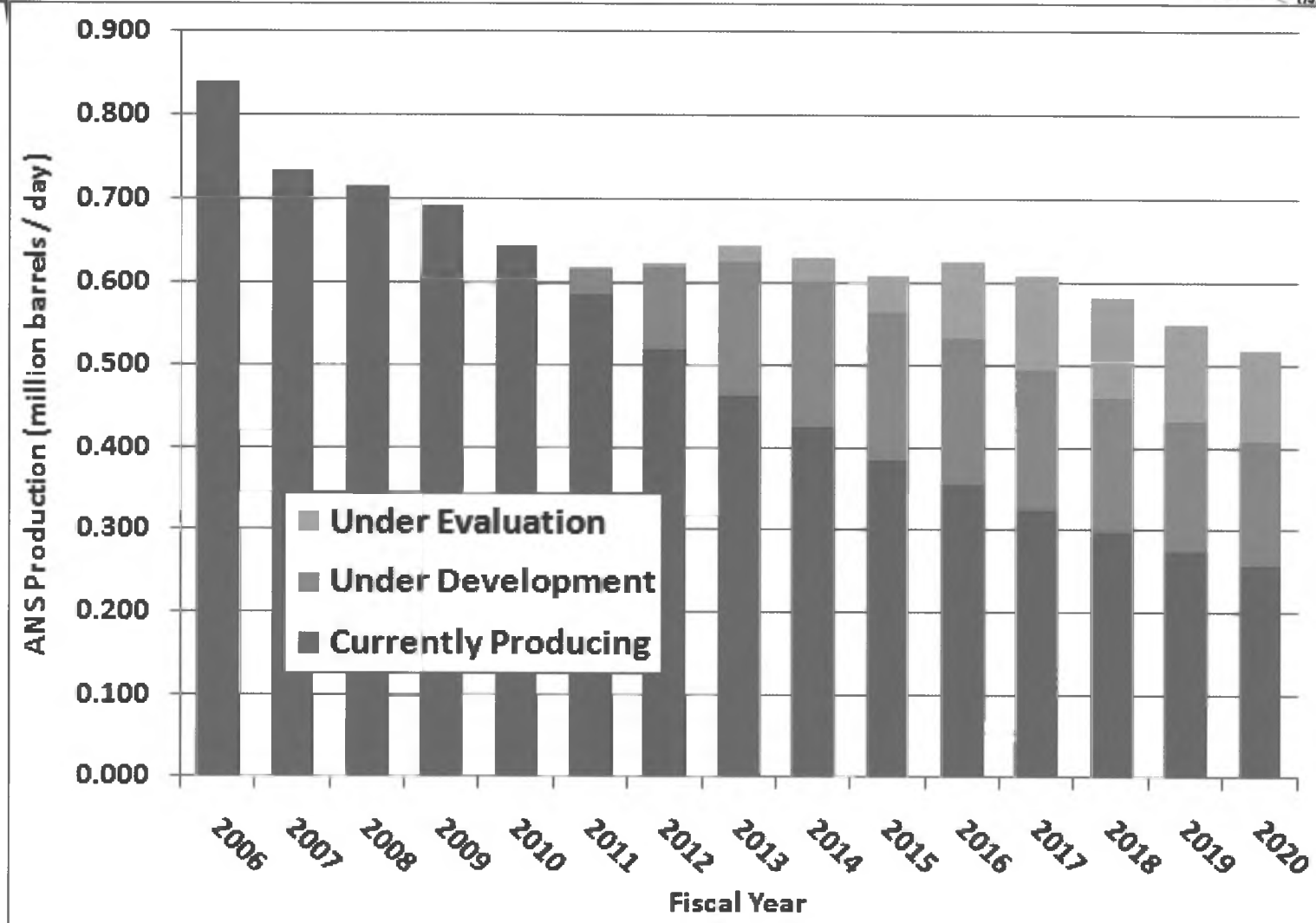
# Production is Declining



Source: Fall 2010 Revenue Sources Book



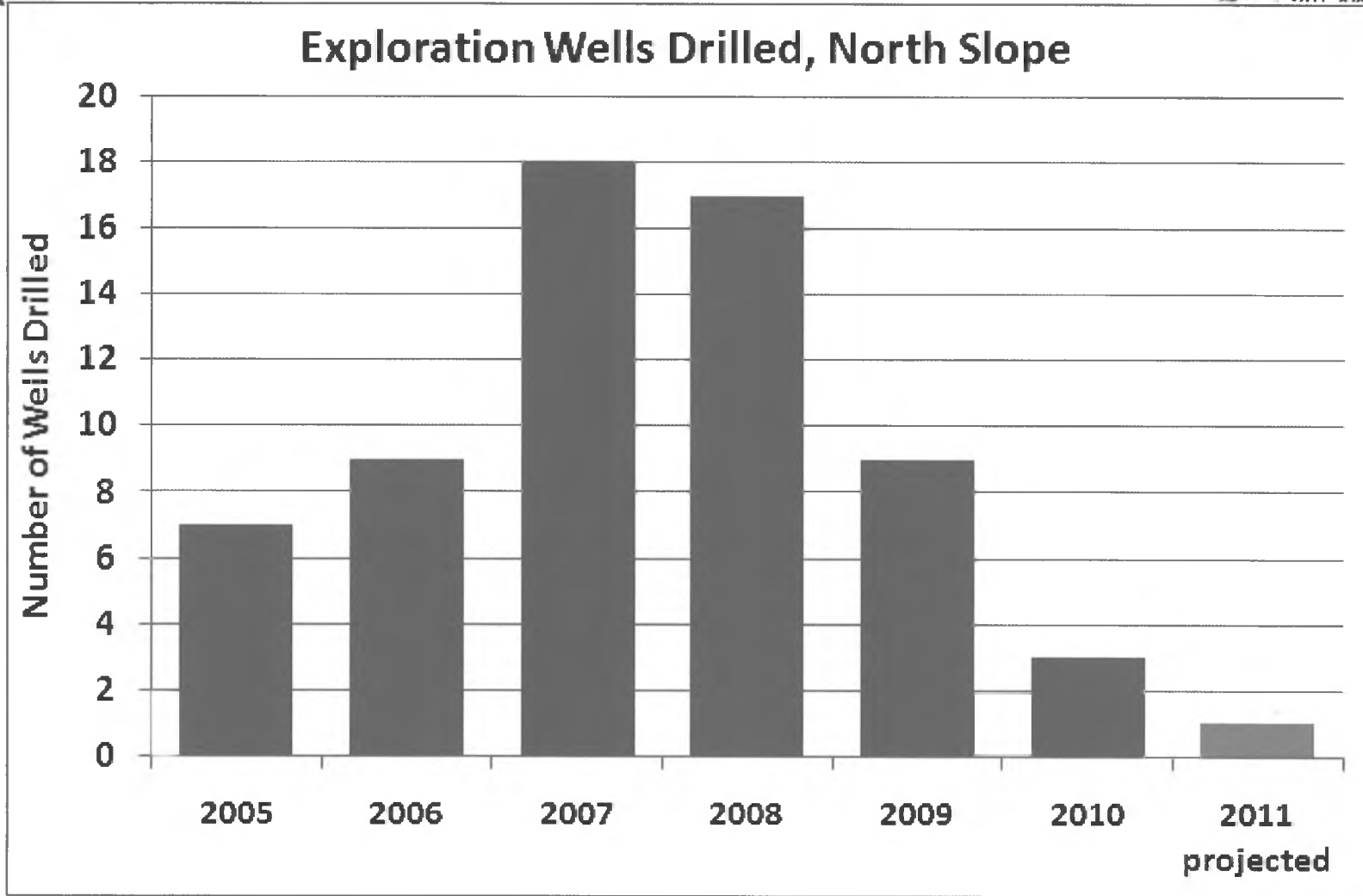
# Investment needed in new & old fields alike



Source: Fall 2010 Revenue Sources Book



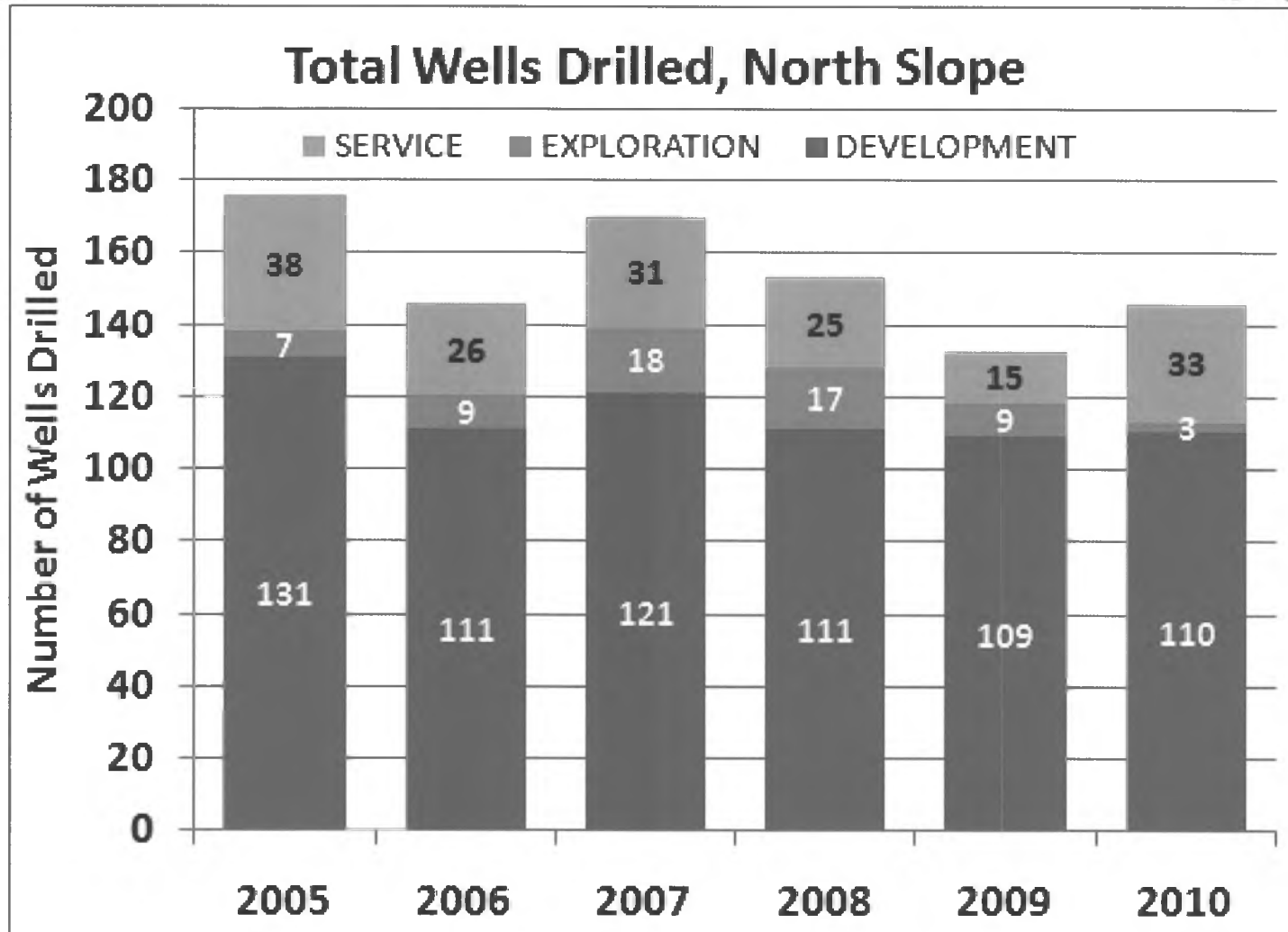
# Exploration is Declining



Source: Alaska Oil & Gas Conservation Commission and Alaska Department of Natural Resources



# Drilling has stagnated



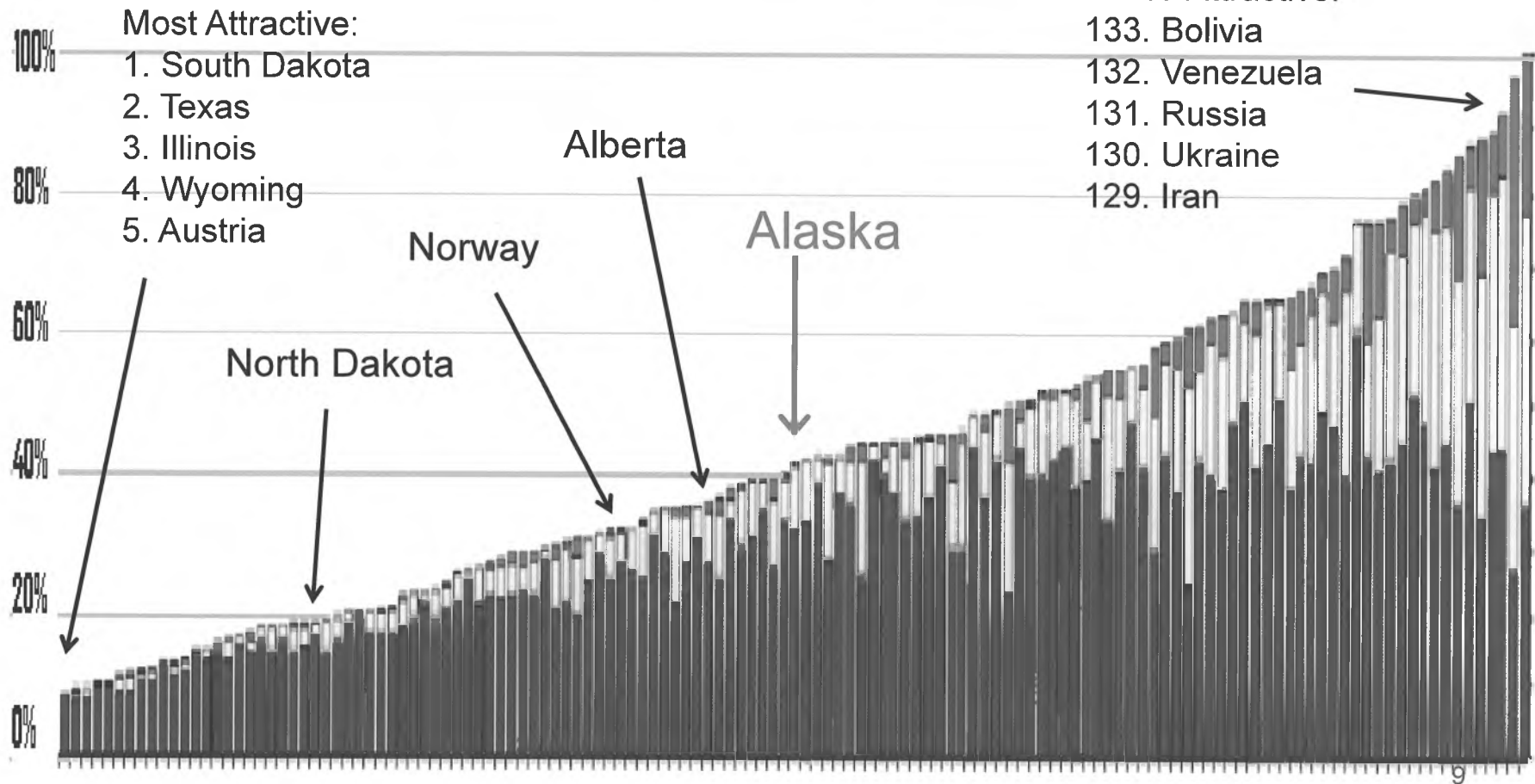
Source: Alaska Oil & Gas Conservation Commission



# Frasier: Alaska is #68 of 133 in terms of overall attractiveness



**Frasier All-Inclusive Composite Index for 133 jurisdictions**  
**Percentage of negative survey responses**



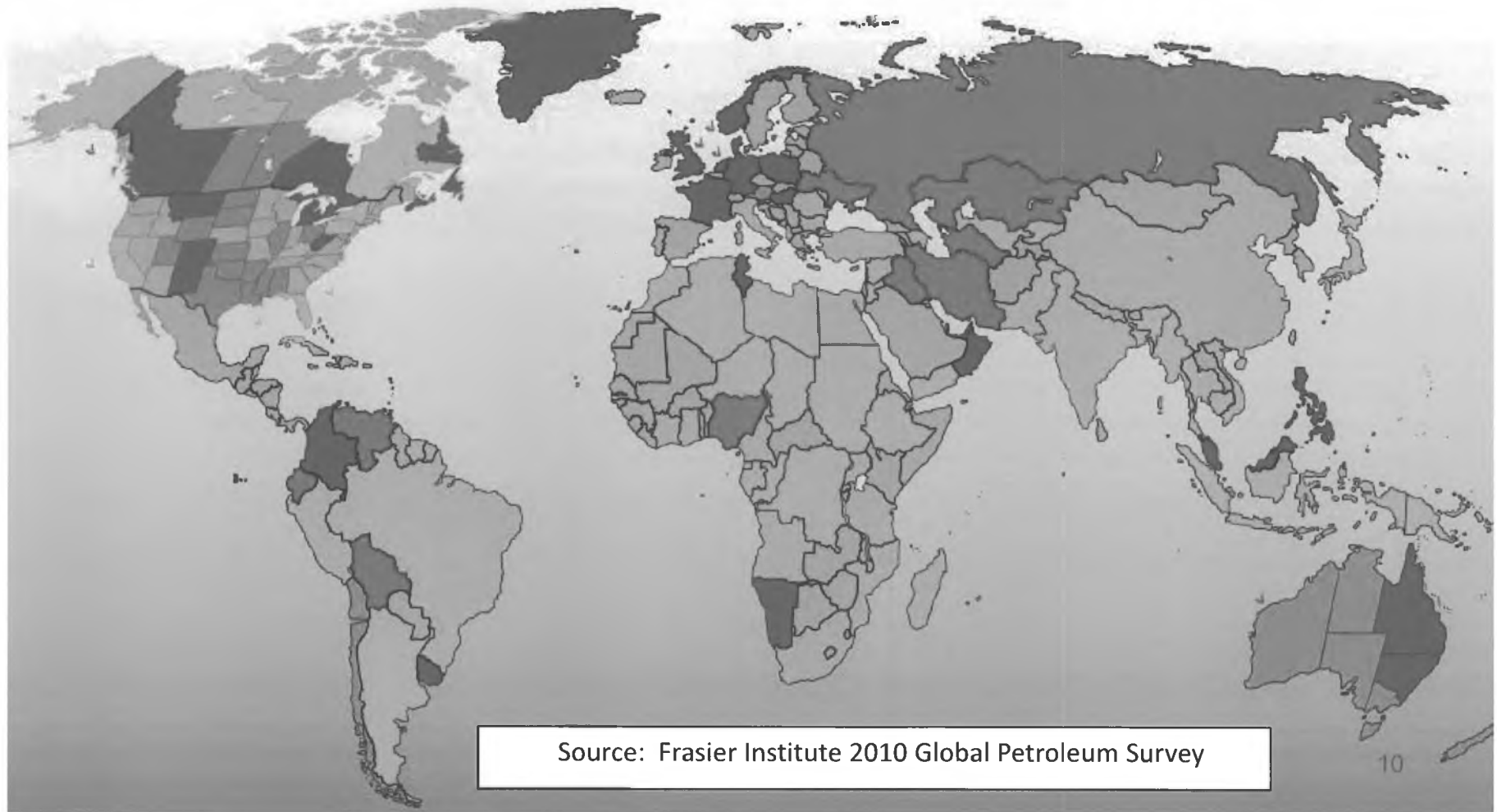
Source: Frasier Institute 2010 Global Petroleum Survey



# Frasier: Alaska's investment climate is "in the middle" globally



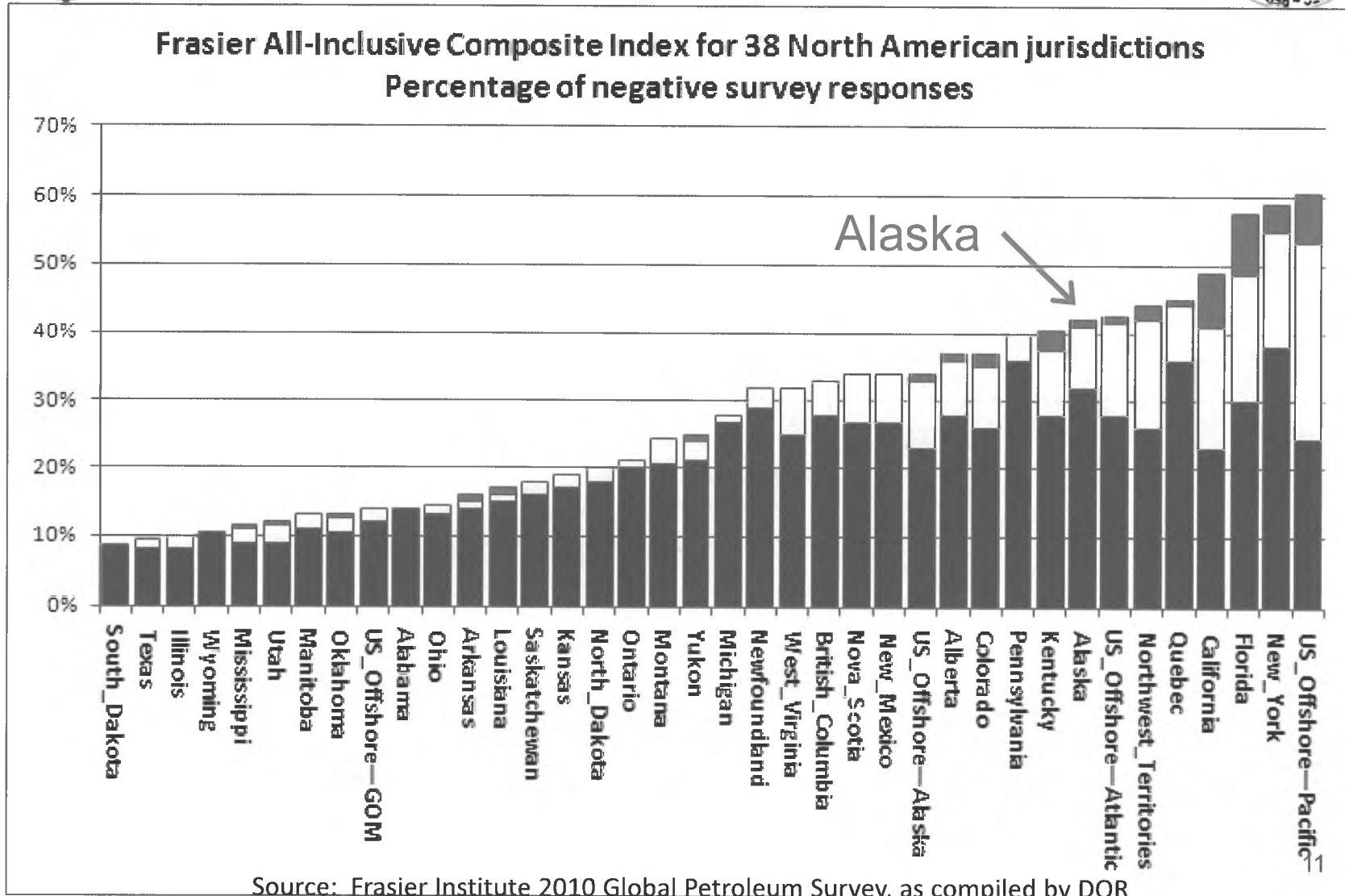
Most attractive ■ 2nd Quintile ■ 3rd Quintile ■ 4th Quintile ■ Least attractive ■ Unmeasured ■



Source: Frasier Institute 2010 Global Petroleum Survey

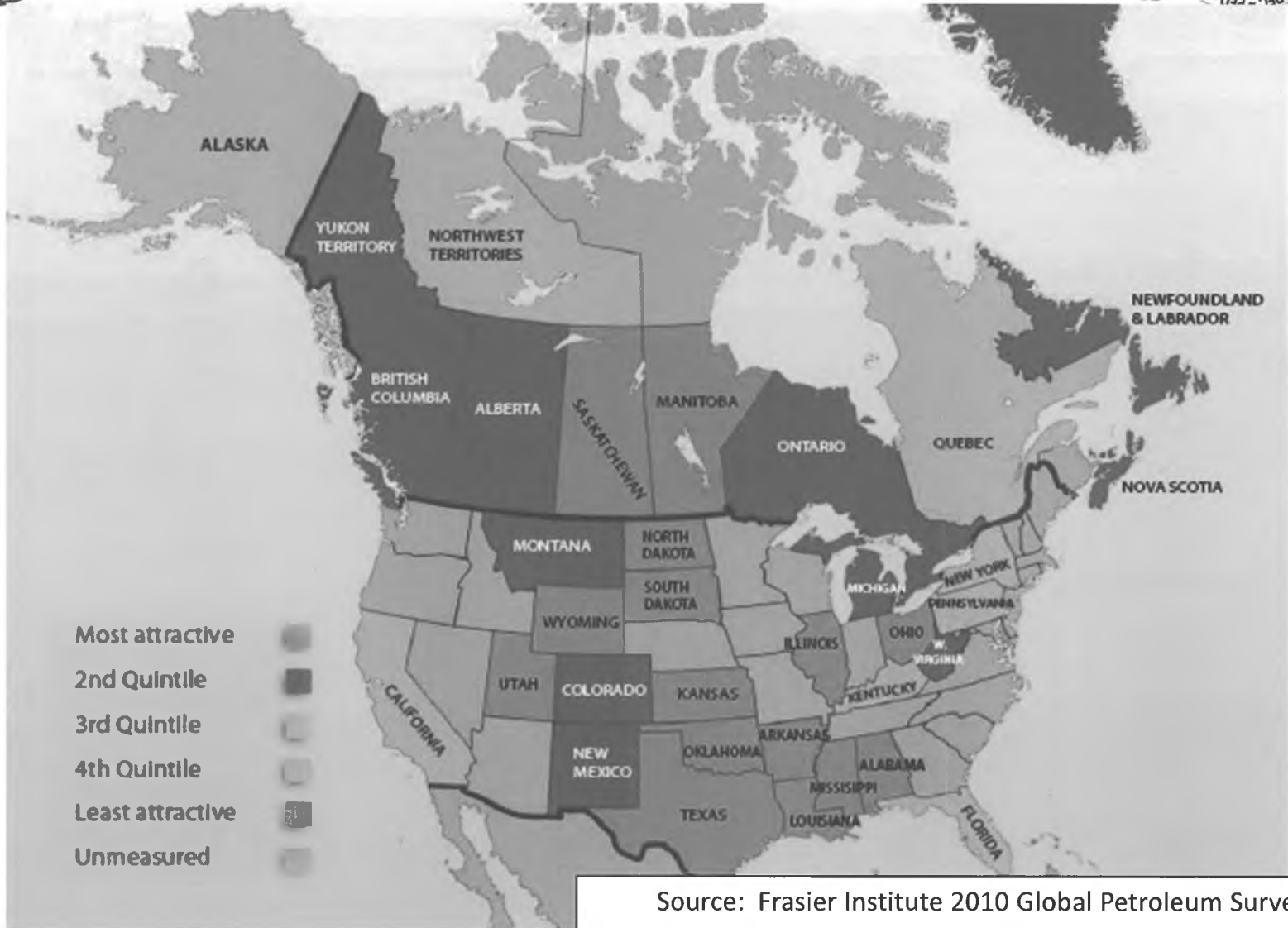


# Frasier: Alaska is #31 of 38 in North American attractiveness





# Frasier: Many North American jurisdictions rank ahead of Alaska



Source: Frasier Institute 2010 Global Petroleum Survey



# How Alaska is Rated for Specific Investment Factors



## Alaska's strengths:

- Geopolitical risk
- Trade barriers
- Labor regulations & employment agreements
- Geological database
- Security
- Legal system process

## Middle of the Pack:

- Overall attractiveness
- Commercial environment
- Regulatory climate
- Fiscal Terms (overall)
- Administration & enforcement of regulations
- Socio-economic agreements
- Quality of infrastructure
- Labor availability
- Political stability
- Regulatory duplication

## Alaska's weaknesses:

- Environmental regulations
- Cost of regulatory compliance
- Uncertainty concerning protected areas
- Disputed land claims
- Tax Regime

↑  
**We can do something about this!**

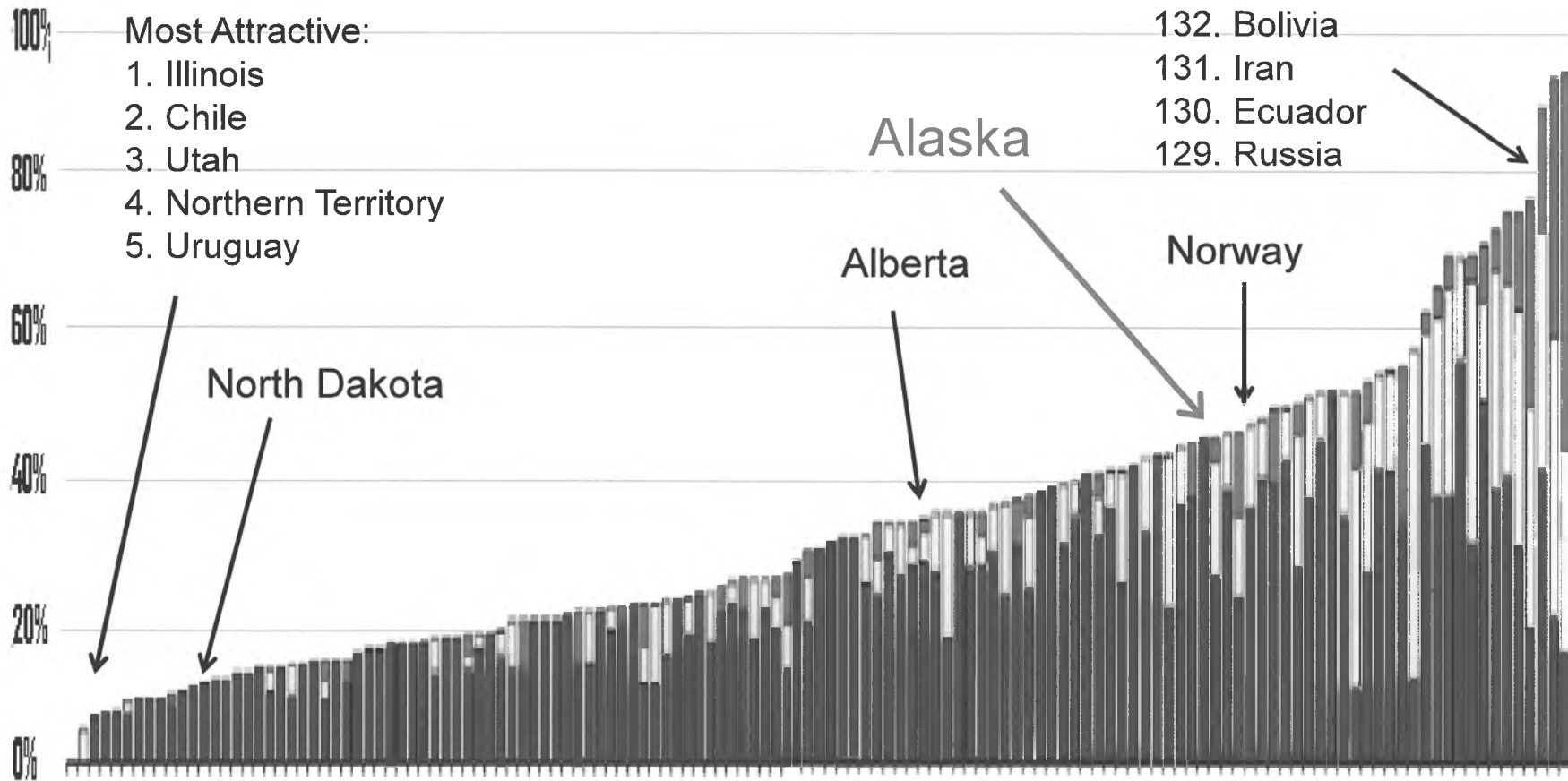


# 44% of respondents say Alaska tax regime deters investment



Frasier Tax Regime Attractiveness for 133 jurisdictions  
Percentage of Negative Survey Responses

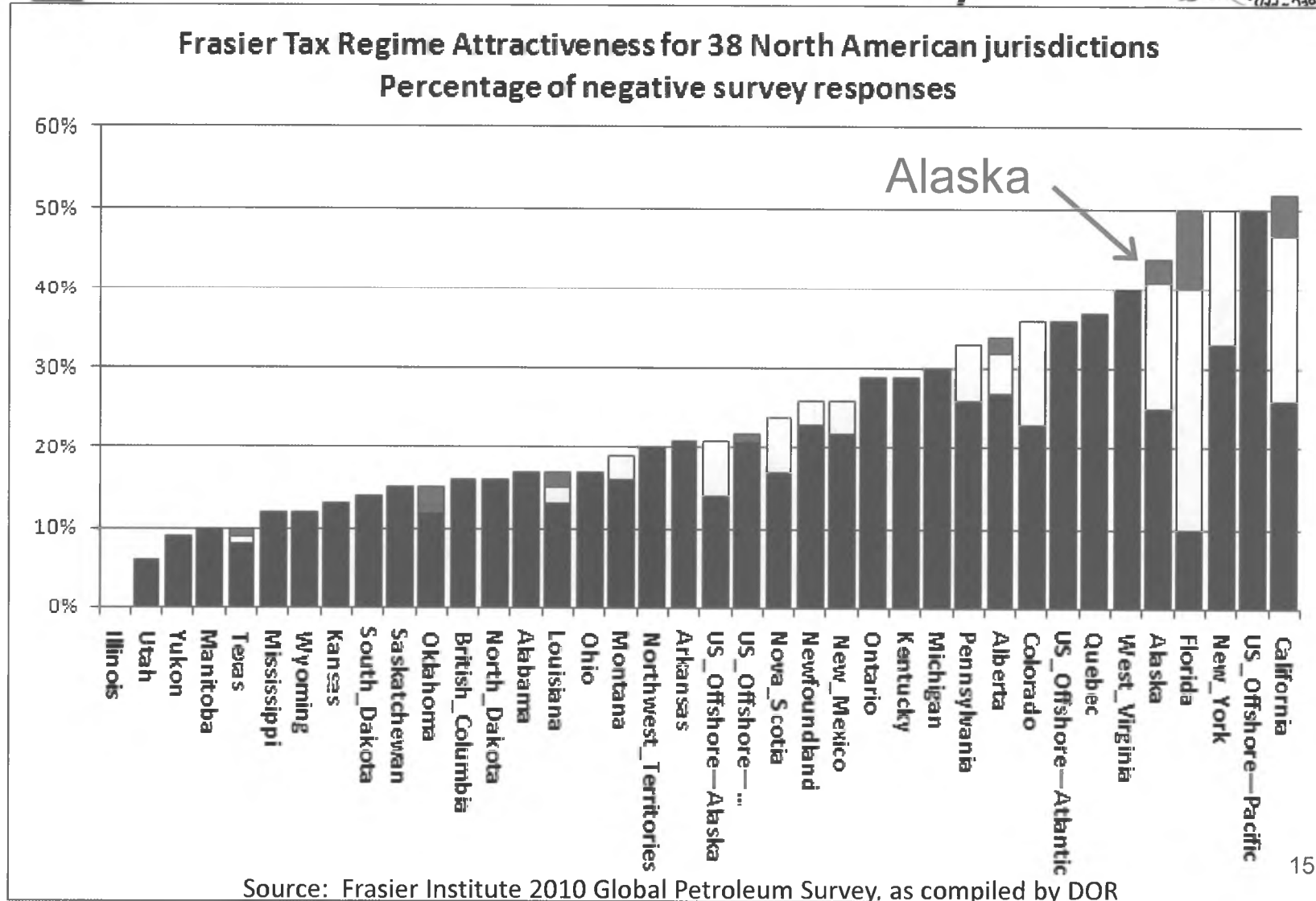
Least Attractive:  
133. Venezuela  
132. Bolivia  
131. Iran  
130. Ecuador  
129. Russia



Source: Frasier Institute 2010 Global Petroleum Survey

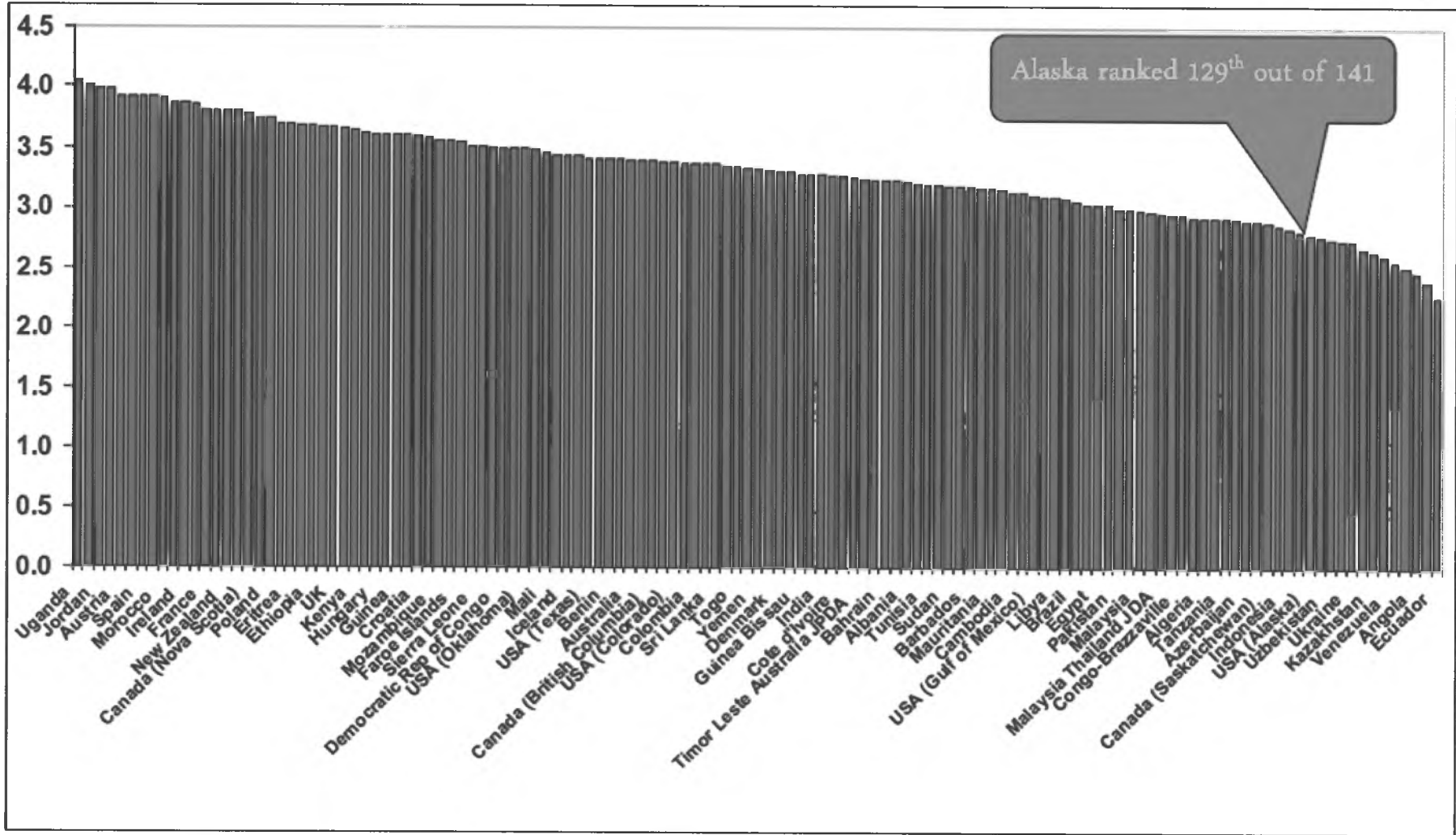


# Alaska is ranked #34 of 38 in North America for tax system



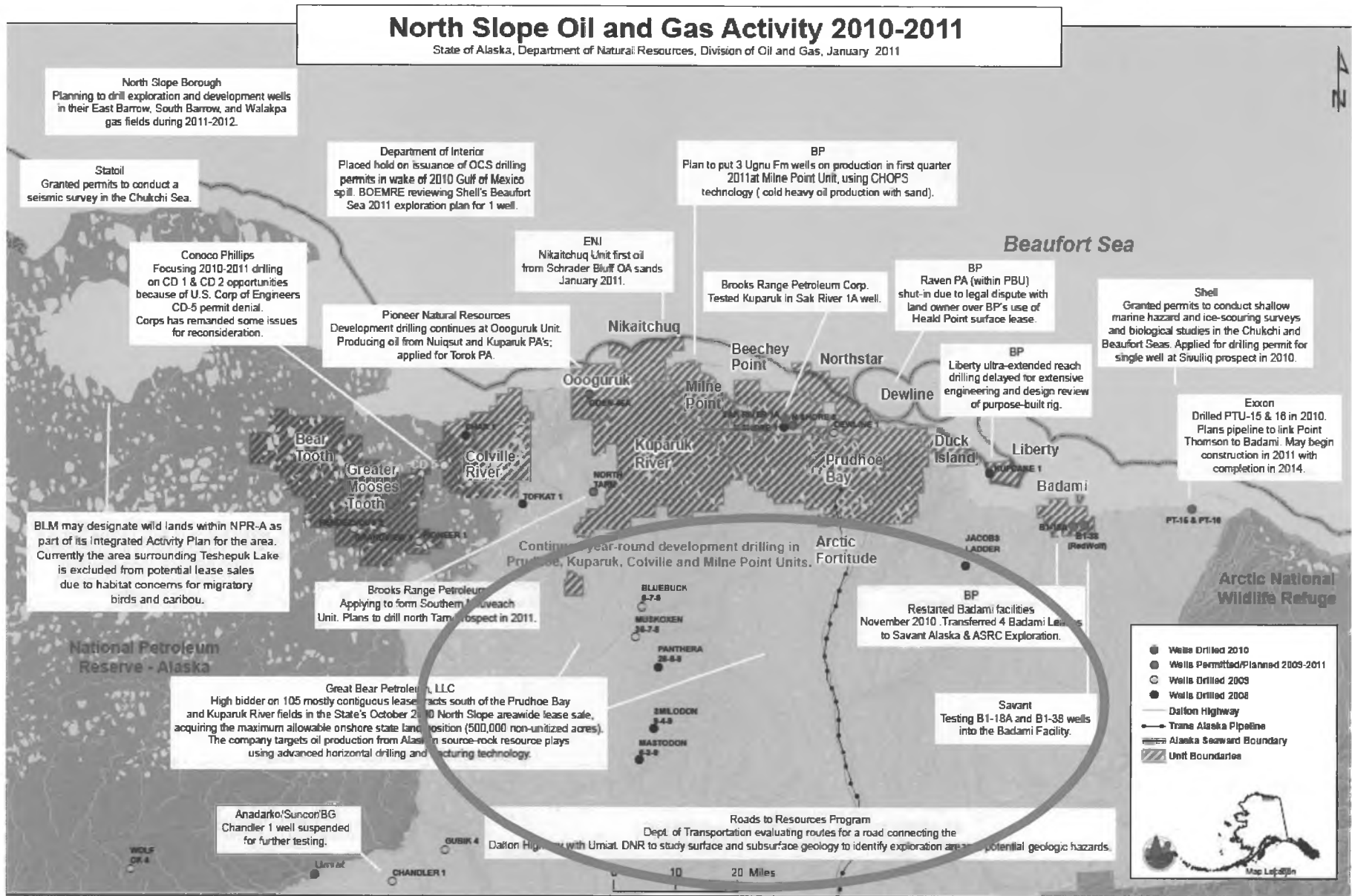


# Wood Mackenzie: Alaska's fiscal terms rank #129 of 141



Source: Wood Mackenzie Petroleum Fiscal Systems, January 2010, as presented by AOGA, January 2011<sup>16</sup>

# Areas of North Slope are Underdeveloped





## There's lots of oil left in Alaska...



- Cumulative production through 2010 has been over 16 billion barrels
- Remaining North Slope reserves exceed 5 billion barrels
- Geology-based estimates of total oil volumes are much higher. For instance, we do not include any of the approximately 20 billion barrels in the giant Ugnu deposit, or offshore volumes from the Chukchi or Beaufort Seas, in our forecast



# How do Alaska's oil taxes work?



# ACES Overview



- ACES Overview
  - Tax Structure
  - Incentivizing New Investment



# ACES Overview



- **Production Tax Value (PTV)** is the market price less transportation costs and allowable lease expenditures
- **Base tax rate** of 25% on PTV
- **Progressive Surcharge Rate**
- **Credits**



# ACES Overview



## How the Tax is Calculated

$$\begin{array}{r} \text{Production Tax Value (PTV) X Base Tax Rate =} \\ \text{PTV X Progressive Surcharge Rate =} \end{array} \begin{array}{r} \text{Base Tax} \\ + \\ \text{Progressive Surcharge} \end{array}$$

---

$$\begin{array}{r} \text{Pre-Credit Tax Bill} \\ \text{Credits} \end{array} \begin{array}{r} \text{Total Taxes Before Credits} \\ - \\ \text{Credits Applied Against Taxes} \end{array}$$

---

$$\begin{array}{r} \text{Final Tax Bill} \end{array} \begin{array}{r} \text{Total Production Taxes Owed} \end{array}$$



# FY 12 Production Tax Projected



	Per Barrel	Barrels	Value (\$ million)
Avg ANS Oil Price (\$/bbl) & Daily Production (bbls)	\$82.67	622,182	\$51.4 / day
<b>Annual Production (bbl)</b>			
<b>Total Annual Production/Value</b>		<b>227,096,430</b>	<b>\$18,774.1</b>
Royalty and Federal barrels		(34,669,890)	(\$2,866.2)
<b>Taxable barrels</b>		<b>192,426,540</b>	<b>\$15,907.9</b>
<b>Downstream (Transportation) Costs (\$/bbl)</b>			
ANS Marine Transportation	(\$2.05)		
TAPS Tariff	(\$4.67)		
Other	\$0.33		
<b>Total Transportation Costs</b>	<b>(\$6.39)</b>	<b>192,426,540</b>	<b>(\$1,229.6)</b>
<b>Lease Expenditures</b>			
Deductible Operating Expenditures	(\$12.86)		(\$2,474.1)
Deductible Capital Expenditures	(\$13.14)		(\$2,528.3)
<b>Total Lease Expenditures</b>	<b>(\$26.00)</b>	<b>192,426,540</b>	<b>(\$5,002.4)</b>
<b>Production Tax Value (PTV)</b>	<b>\$50.28</b>	<b>192,426,540</b>	<b>\$9,675.9</b>
<b>Production Tax</b>			
Base Tax (25%*PTV)			\$2,419.0
Progressive Tax Rate = $(\$50.28 - \$30) * 0.4\% = 8.1\%$			
Progressive Tax = $(8.1\% * PTV)$			\$785.0
<b>Total Tax Due before credits</b>			<b>\$3,204.0</b>
<b>Credits Applied Against Taxes</b>			<b>(\$450.0)</b>
<b>Total Tax after credits</b>			<b>\$2,754.0</b>

Source: Department of Revenue Fall 2010 Revenue Sources Book, Appendix D

This simple model assumes constant production, price, and expenditures for the entire year; results will differ from our larger model and forecast.

The per-barrel expenditures shown are per taxable barrel and do not reflect expenditures per all barrels produced.



# ACES Overview (cont)



## TAX CREDITS

- **Qualified Capital Expenditure Credit** – 20% credit for qualified capital expenditures (40% for well lease expenditures outside North Slope).
- **Carried-Forward Annual Loss Credit** – 25% credit for carried-forward annual loss.
- **Small Producer / New Area Development Credit** – Up to \$12 million / year for small producers and up to \$6 million / year for production outside North Slope and Cook Inlet.
- **Alternative Credit for Exploration** – 30% or 40% of eligible exploration expenditures if certain criteria are met.
- **Cook Inlet Jack-Up Rig Credit** – 80% to 100% credit for first three exploration wells drilled using jack-up rig in Cook Inlet.



# Example 1: New Entrant



- A new entrant with no current production pursues an exploration project requiring \$200 million in investment
- Company receives a 20% - 40% investment credit (depending on location), worth \$40 - \$80 million
- Company also receives an additional 25% credit for its “tax loss”, worth up to \$50 million



## Example 1: New Entrant (*cont.*)



- The total credits of \$90 - \$130 million, can be:
  - Directly recouped (cash) from the state
  - Transferred to a person that does pays tax, so that the Transferee pays \$90 - \$130 million less in tax
- Either way, State pays \$90 - \$130 million for the exploration; company pays \$70 - \$110 million.
- If the exploration effort fails, the state never recoups this money.

***The state bears the risk for failure as does the new entrant***



## Example 2: Incumbent Producer



- Incumbent with current production pursues a development requiring \$200 million investment
- Company receives a 20% capital investment credit, worth \$40 million
- By reducing their PTV, the company reduces their taxes due by the total capital expense multiplied by the tax rate:

\$200 million x 25%, worth \$50 million; plus

\$200 million x progressivity surcharge rate (which is reduced due to the drop in PTV)



## Example 2: Incumbent Producer (*cont.*)

- Deductions and credits total more than 45% of the \$200 million, greater than \$90 million
- State pays more than \$90 million of the new development's capital cost; true investment cost for the incumbent is less than \$110 million
- If the development fails, the state never recoups this money

***The state bears the risk for failure as does the incumbent investor***



# Key Points

- For credits, the state can cut a check (new entrant) or reduce tax revenue (incumbent)
- In both cases the state is an investor: real money leaves the treasury, **sharing the risk borne by the active investor**
- ACES aims to incentivize investment **because state bears risk and reduces explorers/producers costs**
- ***Tax credits, along with the net-based structure, make the state a large investor in exploration and new development activities***



# Components of HB 110



- **Progressivity Rates**
- **Tax Cap**
- **Tax Calculation**
- **Tax Credits**
- **Base Tax Rate**



# Main proposed changes



<b>Progressivity Rates</b>	Progressivity defined as <u>discrete brackets</u> , rather than as a continuous function, and <u>applied only to incremental revenue</u> .	2013
<b>Tax Cap</b>	Production tax <u>highest bracket limited to 50% for legacy fields and 40% for new fields</u> .	2013
<b>Tax Calculation</b>	<u>Yearly tax calculation</u> based on average prices and costs, instead of monthly tax calculation impacted by short term price and cost peaks.	2013
<b>Tax Credits</b>	Tax credits can be claimed in a <u>single year instead of two years</u> . Extension of <u>40% well lease expenditure tax credits</u> to the North Slope.	2012
<b>Base Tax Rate</b>	Base tax rate reduction from <u>25% to 15%</u> for oil and gas coming from leases or properties neither unitized nor producing as of 12/31/2010.	2013

**2012** Effective 1/1/2012 for expenditures made before 12/31/2011.

**2013** Effective 1/1/2013, applies to production after 13/31/2012.



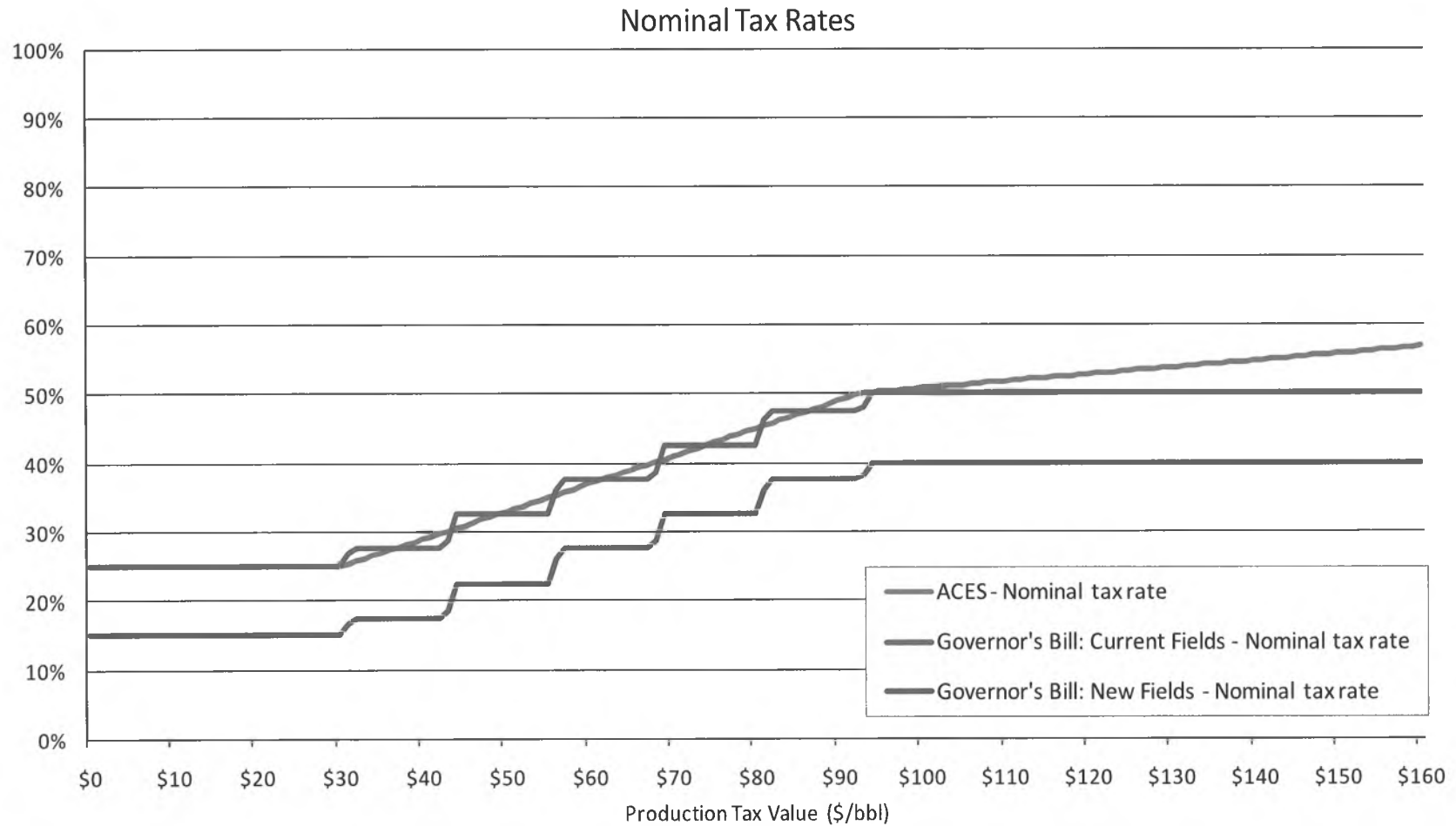
# Tax Rates, Current and Proposed



- **Effective Tax Rate**
- **Nominal Tax Rate**
- **Marginal Tax Rate**



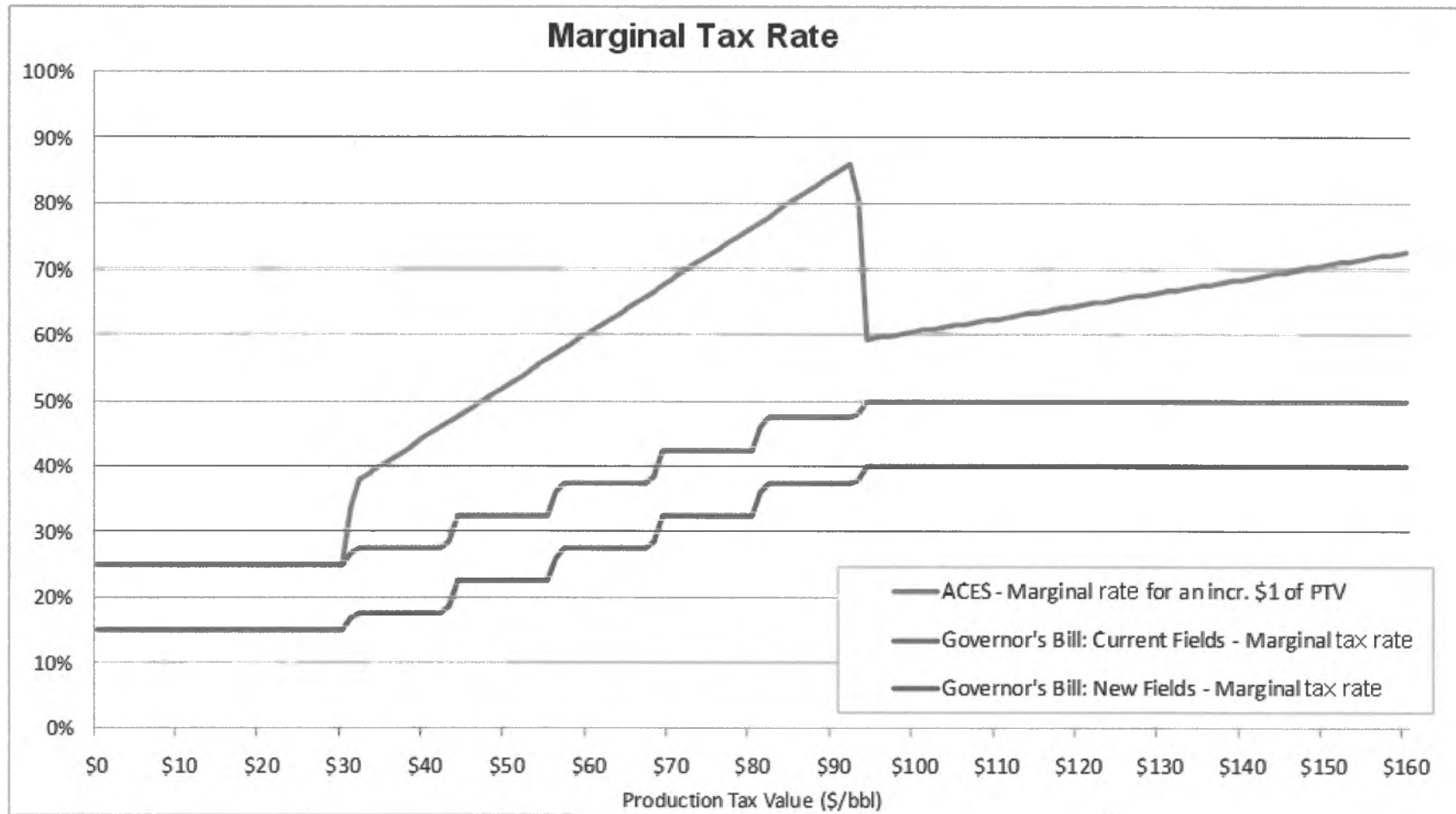
# Nominal Tax Rates Current law and HB 110





# Marginal Tax Rates

## Current law and HB 110

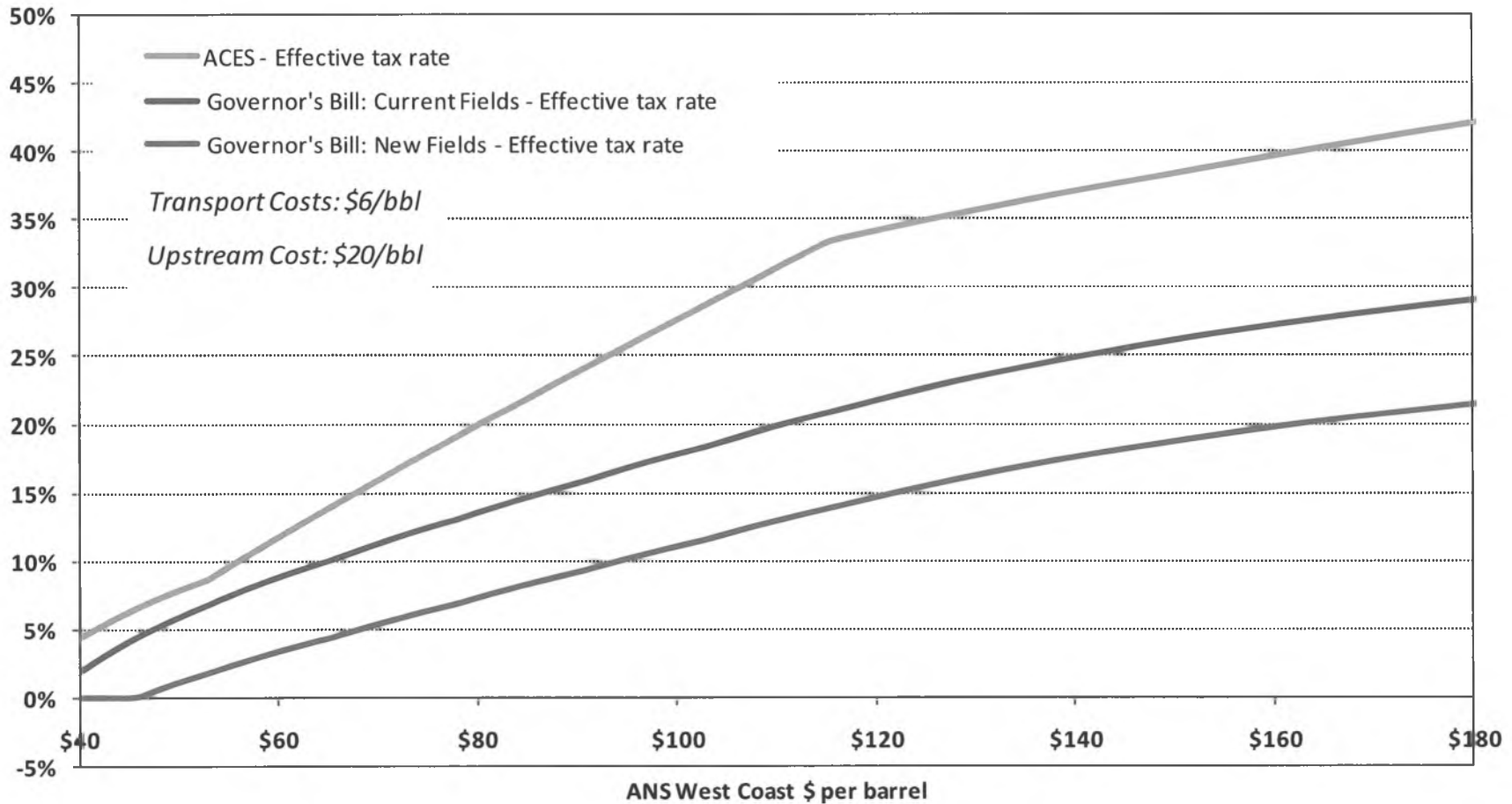




# Effective Tax Rates on Gross Current law and HB 110



Effective Tax Rate based on Gross Value (After Credits)





# Proposed Credits under HB 110



- **Well Lease Expenditure Credit**
  - **Credit of 40% for capital expenditures directly related to an exploration well, a stratigraphic test well, a producing well, or an injection well**
  - **Intangible drilling and development costs**
  - **Expands existing credit from areas other than North Slope to include North Slope**

# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number 1  
 Bill Version HB 110  
 (H) Publish Date 1/18/11

Identifier (file name) LL0007-DOR-TAX-1-13-11 Dept. Affected Revenue  
 Title Oil and Gas Production Tax Appropriation Treasury and Taxation  
 Allocation Tax Division  
 Sponsor Rules Committee  
 Requester By Request of the Governor OMB Component Number 2476

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>							
Personal Services				267.0	267.0	267.0	267.0
Travel				10.0	10.0	10.0	10.0
Contractual	115.0			9.4	9.4	9.4	9.4
Supplies				1.0	1.0	1.0	1.0
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>115.0</b>	<b>0.0</b>	<b>0.0</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>

<b>CAPITAL EXPENDITURES</b>							
-----------------------------	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES</b>	***	***	***	***	***	***	***
---------------------------	-----	-----	-----	-----	-----	-----	-----

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	115.0	0.0	0.0	287.4	287.4	287.4	287.4
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
<b>TOTAL</b>	<b>115.0</b>	<b>0.0</b>	<b>0.0</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>	<b>287.4</b>

Estimate of any current year (FY2011) cost \_\_\_\_\_

**POSITIONS**

Full-time	0.0	0.00	0	2	2	2	2
Part-time							
Temporary							

**Why this fiscal note differs from previous version**

This is the first version of the bill.

Prepared by Cherie Nienhuis, Economist and Bruce Tangeman, Dep. Commissioner  
 Division Tax Division  
 Approved by Ginger Blaisdell, Director Administrative Services Division  
Department of Revenue

Phone 269-1019  
 Date/Time 1/13/2011; 12:07pm  
 Date 1/13/11; 12:16pm

## FISCAL NOTE #1

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. HB 110

### Analysis

\*\*\*The revenue impact of this bill is indeterminate.

This bill makes several changes to the oil and gas production tax system. Each of the major changes, along with their potential revenue impact, are discussed below.

1. **The interest rate on delinquent taxes is changed** from the greater of 5 percentage points above the annual rate of interest charged by the 12th Federal Reserve District or 11 percent, to the lesser of 3 percent points above the annual rate of interest charged by the 12th Federal Reserve District or 11 percent. The effective date of this provision is 7/1/11. The Department of Revenue (DOR) does not forecast interest on taxes; therefore this provision has no quantifiable revenue impact. There will be \$100,000 in one-time contractor costs to implement this change in our accounting system.

2. **The ANS WC oil price thresholds for the minimum tax are lowered** from the range of \$15 to \$25 to the range of \$12.50 to \$20 per barrel. The effective date of this provision is 1/1/2013. The DOR expects no revenue impact from this change since oil prices are forecasted to be above these amounts.

3. **The tax rate is changed and it is calculated annually rather than monthly for production in unitized areas or areas where there has been commercial production.** The tax rates under the bill are bracketed and only the increment of production tax value (PTV) within each bracket is taxed at that bracket's rate. The brackets range from 25% for PTV up to \$30 per barrel to 50% for PTV over \$92.50 per barrel. The maximum total production tax rate is 50%. The effective date of this provision is 1/1/2013. Using the Fall 2010 forecast assumptions, this provision is expected to result in revenue impacts as follows:

FY 2013: -\$382 million

FY 2014: -\$961 million

FY 2015: -\$1,126 million

FY 2016: -\$1,341 million

FY 2017: -\$1,423 million

4. **For areas that are not unitized as of 1/1/2011 and where there has been no commercial production, the tax rate has changed and the lease expenditures in those areas may not be applied outside those areas.** The tax rates under the bill are bracketed and only the increment of PTV within each bracket is taxed at that bracket's rate. The brackets range from 15% for PTV up to \$30 per barrel to 40% for PTV over \$92.50 per barrel. The maximum total production tax rate is 40%. The effective date of this provision is 1/1/2013. Using the Fall 2010 forecast assumptions, this provision is expected to increase revenue slightly in amounts less than \$20 million in FY 2013 through FY 2017.

5. **The provision requiring that credits be taken over two years is eliminated.** This provision would result in companies using credits earlier than they would without this change, and except for time value of money impact, it is revenue neutral. The effective date of this provision is 1/1/2012. Using the Fall 2010 forecast assumptions, this provision is expected to decrease revenue in the amount of \$250 million in CY 2012 (taken over FY 2012 and FY 2013). Another \$100 million in refunds would also be likely sought for credit certificates in FY 2012.

6. **The 40% credit for well lease expenditures is expanded to include qualified expenditures incurred north of 68 degrees North Latitude.** The effective date of this provision is 1/1/2012. The DOR has very limited data upon which to estimate the revenue impact of this provision. We estimate this provision will decrease revenue in the amount of \$200 million to \$400 million annually. No additional positions will be required, however, there will be a one-time contractual cost of \$15,000 for auditor training on well lease expenditures.

7. **The statute of limitations on the assessment of taxes is changed from six to four years after the annual return is filed.** The effective date of this provision is 1/1/2014. The DOR does not forecast assessments of tax upon audit; therefore this provision has no quantifiable revenue impact. Two additional oil and gas auditor IV positions will be required beginning in FY 2014 to implement this provision. These positions are expected to cost \$287,400 annually.

# FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

Fiscal Note Number 2  
Bill Version HB 110  
(H) Publish Date 1/18/11

LL0007-DNR-DOG-1-13-2011  
Title Oil and Gas Production Tax  
Sponsor Rules Committee  
Requester Governor  
Dept. Affected Natural Resources  
Appropriation Resource Development  
Allocation Oil & Gas  
OMB Component Number 439

**Expenditures/Revenues**

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	Appropriation Required	Information					
	FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>							
-----------------------------	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES</b>							
---------------------------	--	--	--	--	--	--	--

**FUND SOURCE**

(Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2011) cost \_\_\_\_\_

**POSITIONS**

Full-time							
Part-time							
Temporary							

**Why this fiscal note differs from previous version**

Not applicable, initial version

Prepared by Kevin Banks  
Division Oil and Gas  
Approved by Daniel S. Sullivan  
Natural Resources

Phone 269-8800  
Date/Time 1-13-2011; 2:15 PM  
Date 1/13/2011

FISCAL NOTE #2

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. HB 110

**Analysis**

This bill may encourage producers to invest more by allowing them to receive the benefits of credits for that investment more quickly. First, currently under AS 43.55.023(b), only half the 20% qualified capital expenditure (QCE) credit can be taken in any one year. Section 11 of this bill would amend AS 43.55.23(b) to allow the full QCE credit to be taken in one year. Second, under AS 43.55.23(d), a producer that applies to obtain a transferable certificate for expenditures on the North Slope giving rise to a QCE credit or the loss carry-forward credit (AS 43.55.023(a)) will be issued two certificates, each for half the credit amounts, with one of the certificates only good for the next calendar year.

This limitation dilutes the incentive the credit provides to the extent that a producer/investor must wait before receiving the full benefit of the credit. Section 12 of this bill would amend AS 43.55.023(d) to allow the certificates received be for immediate use for North Slope expenditures, just as they are currently for expenditures in Alaska outside the North Slope. Third, Section 17 of the bill makes it easier for a small producer receiving a credit for North Slope expenditures to sell that credit to the State by eliminating the requirement that the producer spend additional money before receiving the credit monies.

In addition to allowing a quicker monetization of a given amount of credits, the bill extends the current 40% credit provided under 43.55.023(l) for well expenditures in Alaska off the North Slope to well expenditures on the North Slope. Currently, the North Slope producers receive a 20% qualified capital expenditure credit for well expenditure capital. Under the amendments provided in Sections 15 and 16 of the bill, producers would receive a 40% credit for those expenditures. This increased credit amount may encourage investment in wells on the North Slope.

This bill has a higher minimum tax rate apply to lower ANS West Coast prices. To the extent investors perceive the possibility that ANS West Coast prices will fall this low, these changes to the minimum tax may discourage investment. Also, by having separate production tax value calculations for "new production" units, the investors in these new units will have less ability to lower tax liability on "old production" units.

This bill lowers the marginal tax rates for existing and new fields by having progressively higher tax rates only apply to incremental production tax value. To the extent that investments are made as a consequence of these changes to the tax regime, royalty revenue may rise. The fiscal impact on royalty revenue is an indeterminate positive.



# HB 110 Presentation

**Primary Goals**  
**Tax Rates and Cash Flows**  
**Bill Sectional**



*Presentation to the  
House Resources Committee  
February 21, 2011  
Alaska Department of Revenue*



## Outline for Presentation



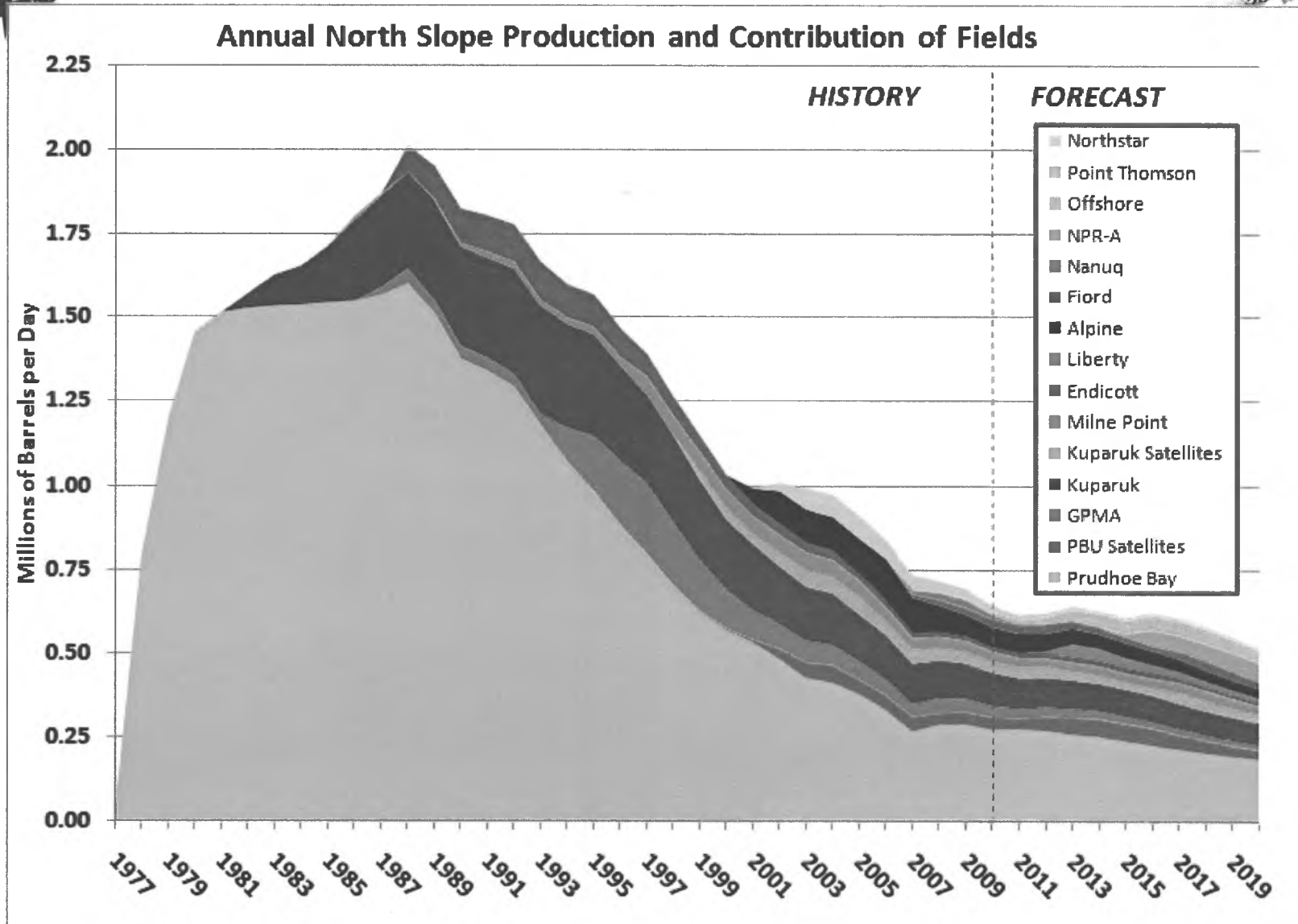
- **Opening Comments**
- **Primary Goals of HB 110**
- **Tax Rates and Cash Flows**
- **Bill Sectional**



# Opening Comments



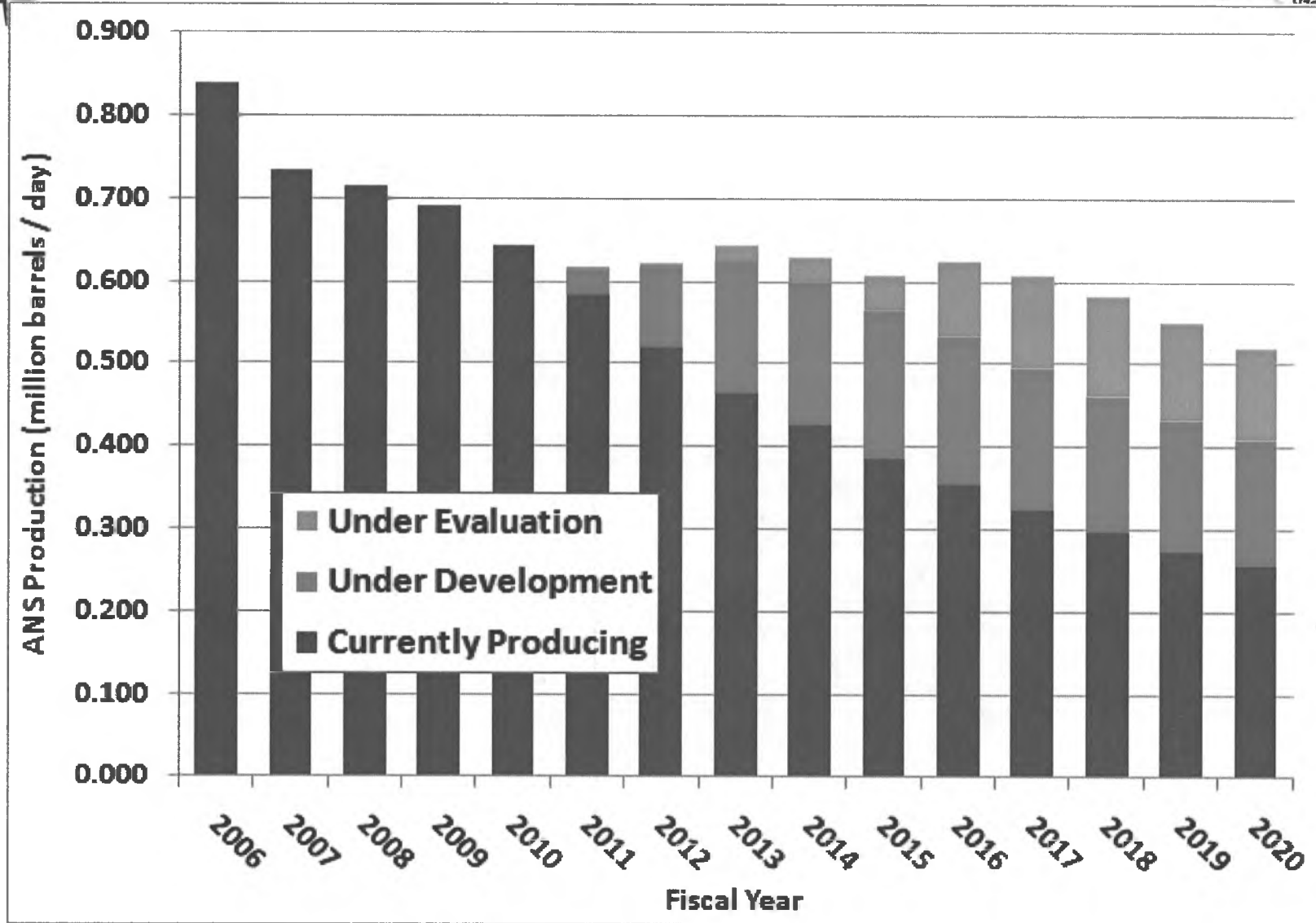
# Production is Declining



Source: Fall 2010 Revenue Sources Book



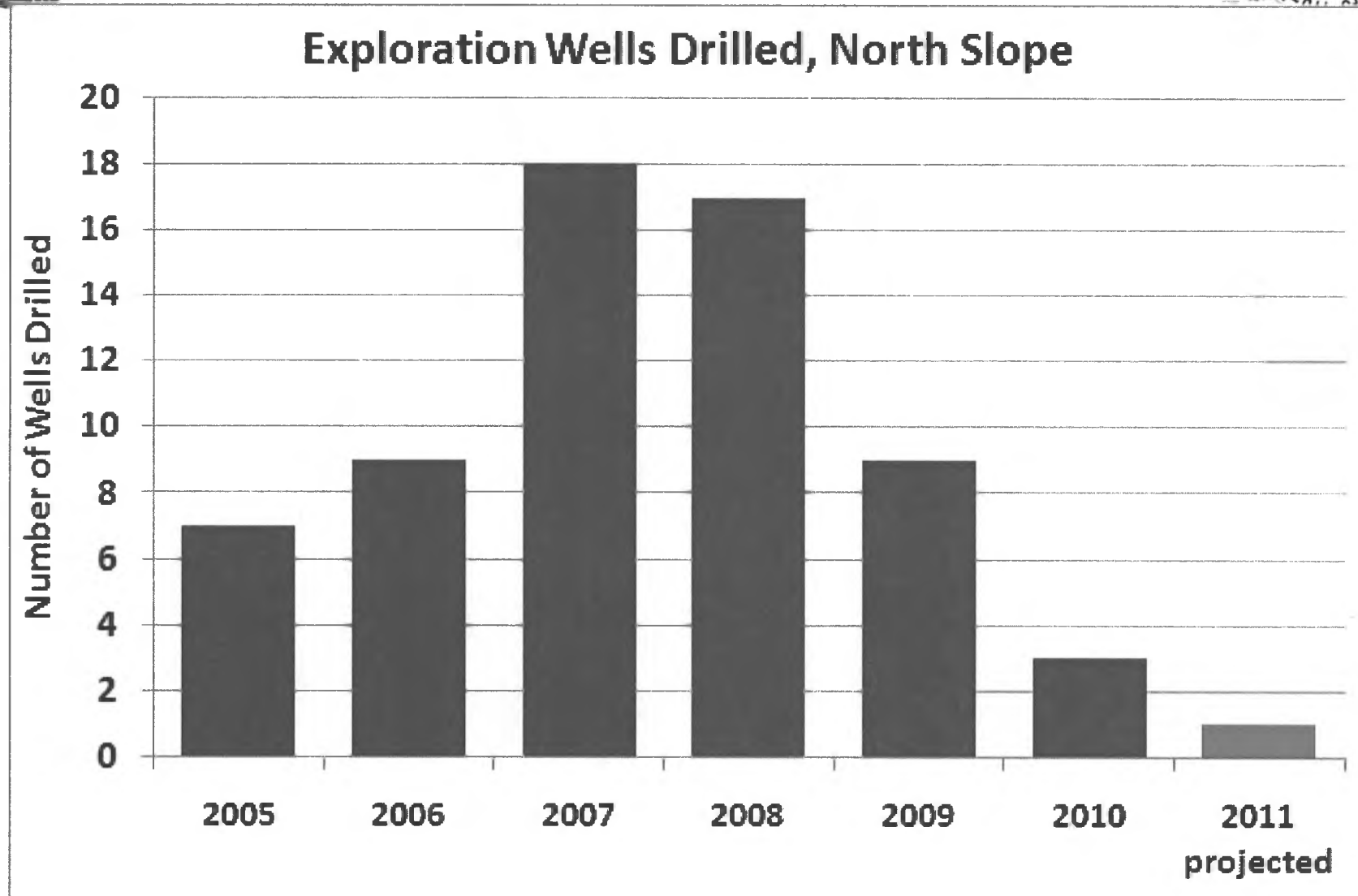
# Investment needed in new & old fields alike



Source: Fall 2010 Revenue Sources Book



# Exploration is Declining



Source: Alaska Oil & Gas Conservation Commission and Alaska Department of Natural Resources



## There is a lot of oil left in Alaska...



- Cumulative production through 2010 has been over 16 billion barrels.
- Remaining North Slope reserves exceed 5 billion barrels.
- Geology-based estimates of total oil volumes are much higher. For instance, we do not include any of the approximately 20 billion barrels in the giant Ugnu deposit, or offshore volumes from the Chukchi or Beaufort Seas, in our forecast.



# Primary Goals of HB 110



# Primary Goals of HB 110



- 1. Encourages development of new leases or properties.**
- 2. Encourages investment in exploration, development, and production.**
- 3. Strengthens the minimum tax.**
- 4. Extends tax incentives to North Slope and allows producers to apply tax credits in one year.**
- 5. Limits the time for assessment of additional production taxes.**
- 6. Reduces interest rate on delinquent taxes and refunds.**



# HB 110 is about balance



- **Balance between current revenue, and the future health of Alaska's economy.**
- **The state would continue to receive its fair share of revenue.**
- **Establishes secure investment climate for industry.**

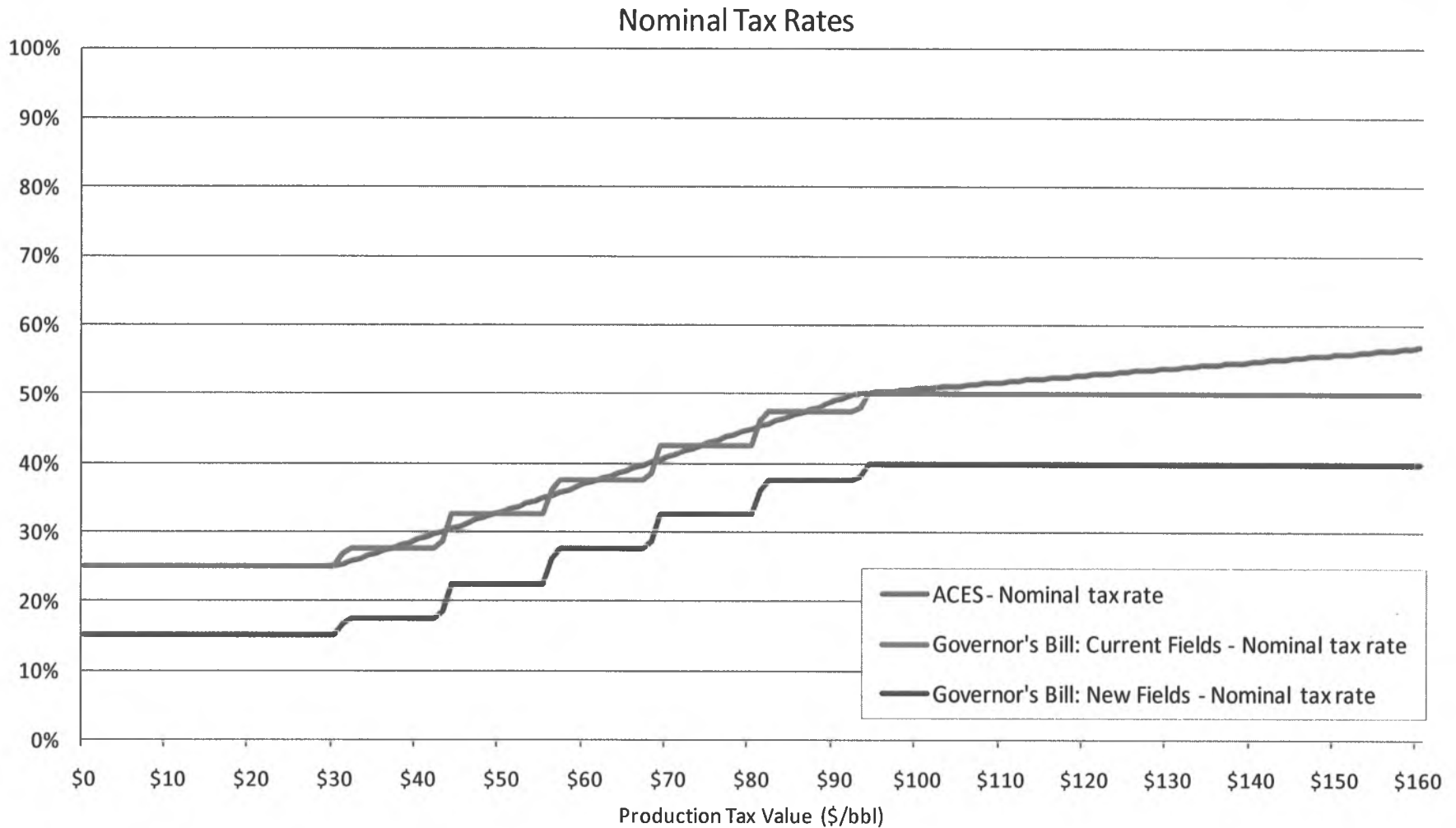


# Tax Rates and Cash Flows under ACES and HB 110



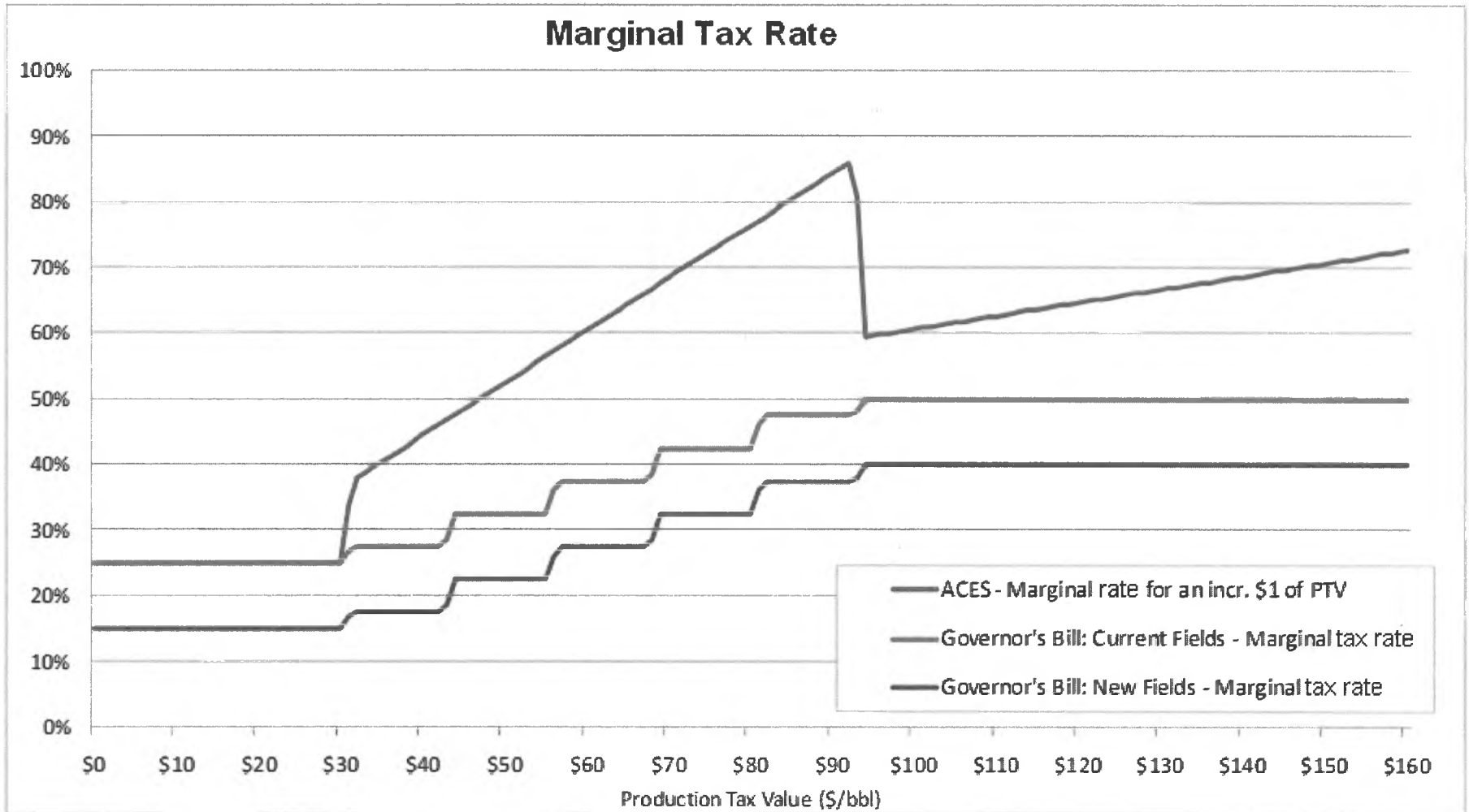
# Nominal Tax Rates

## Current law and HB 110





# Marginal Tax Rates Current law and HB 110

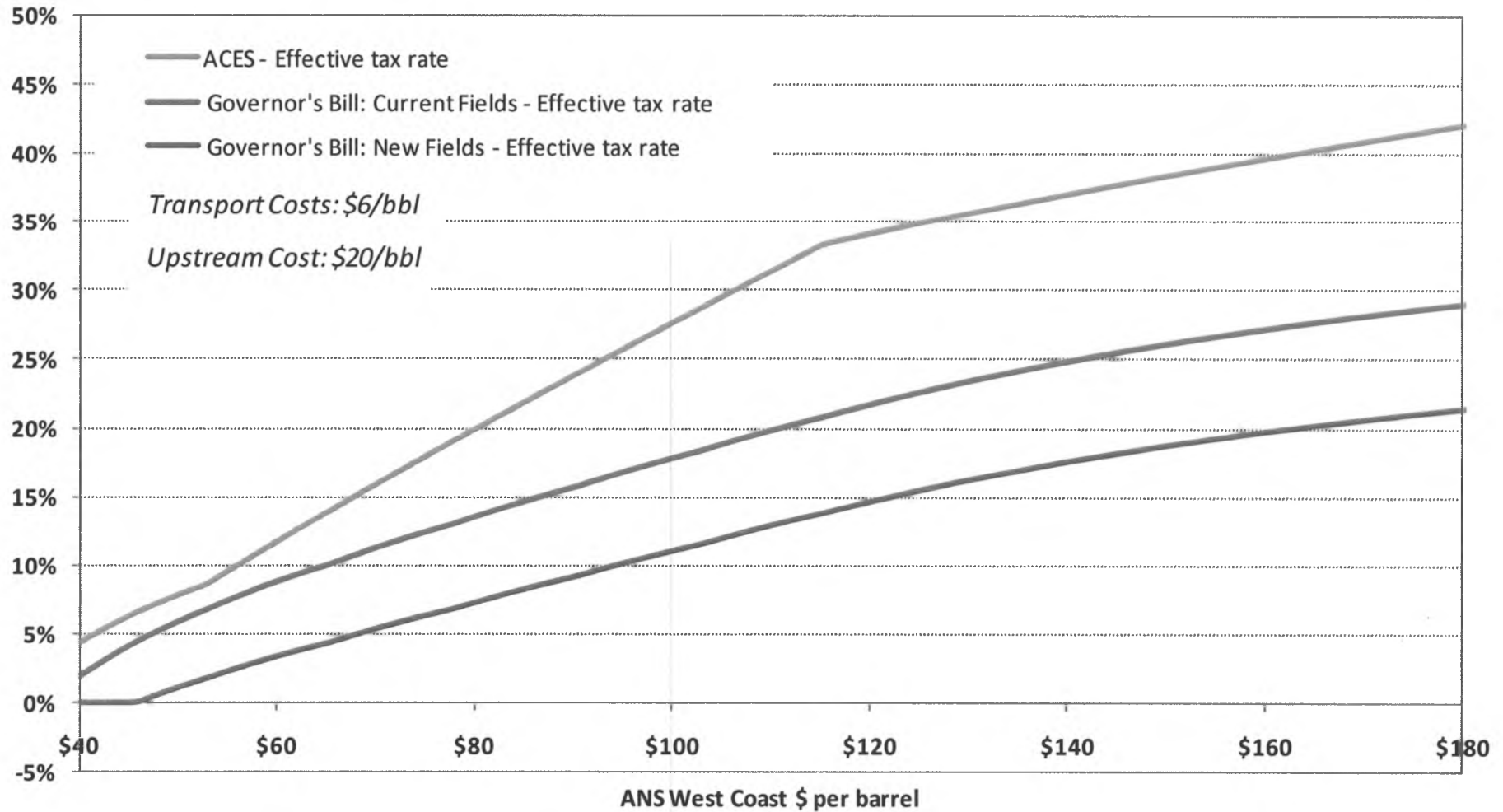




# Effective Tax Rates on Gross Current law and HB 110

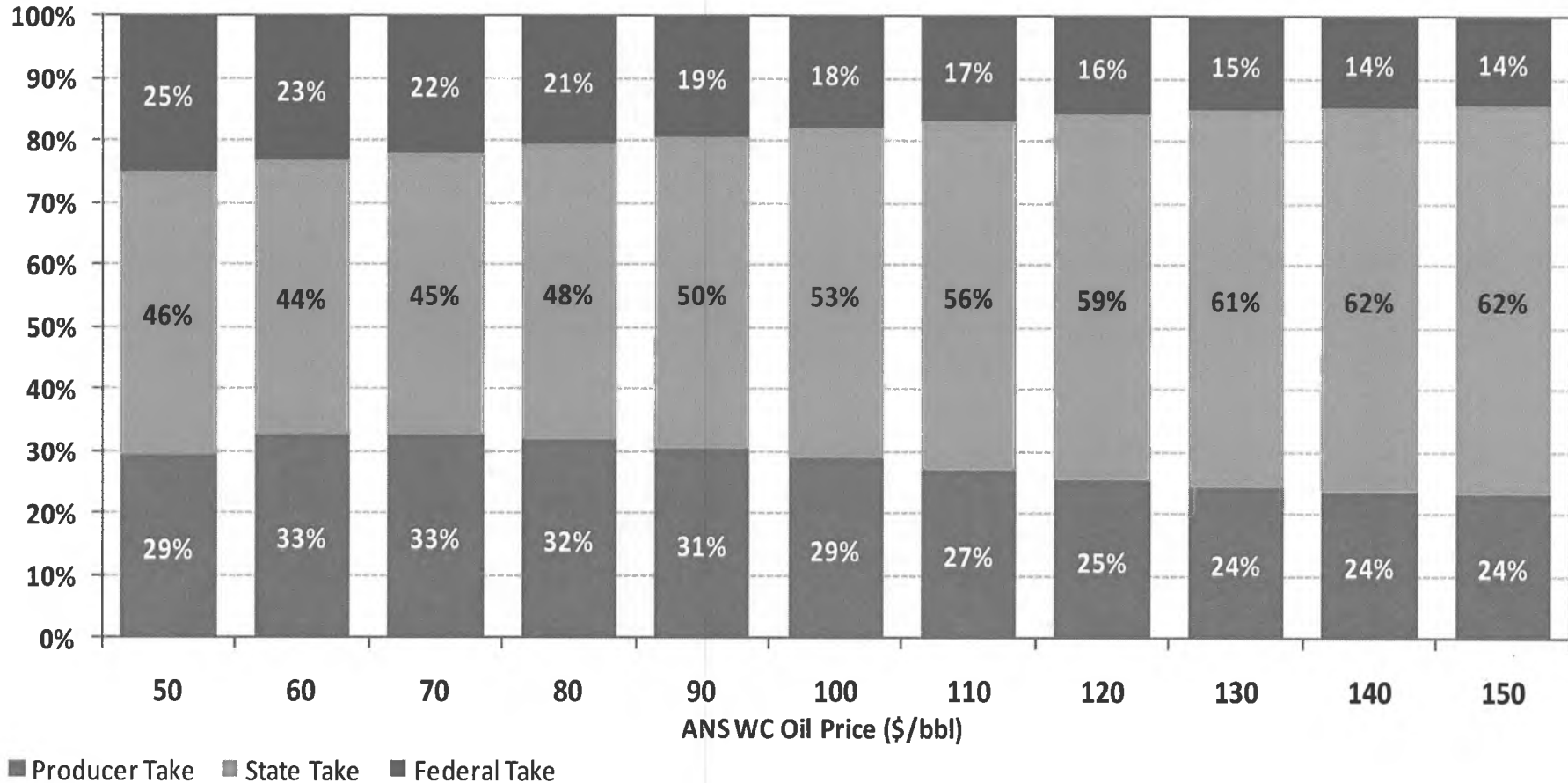


Effective Tax Rate based on Gross Value (After Credits)





# Total CF split (2013 to 2040) under ACES at different oil prices for a the DOR Production Forecast

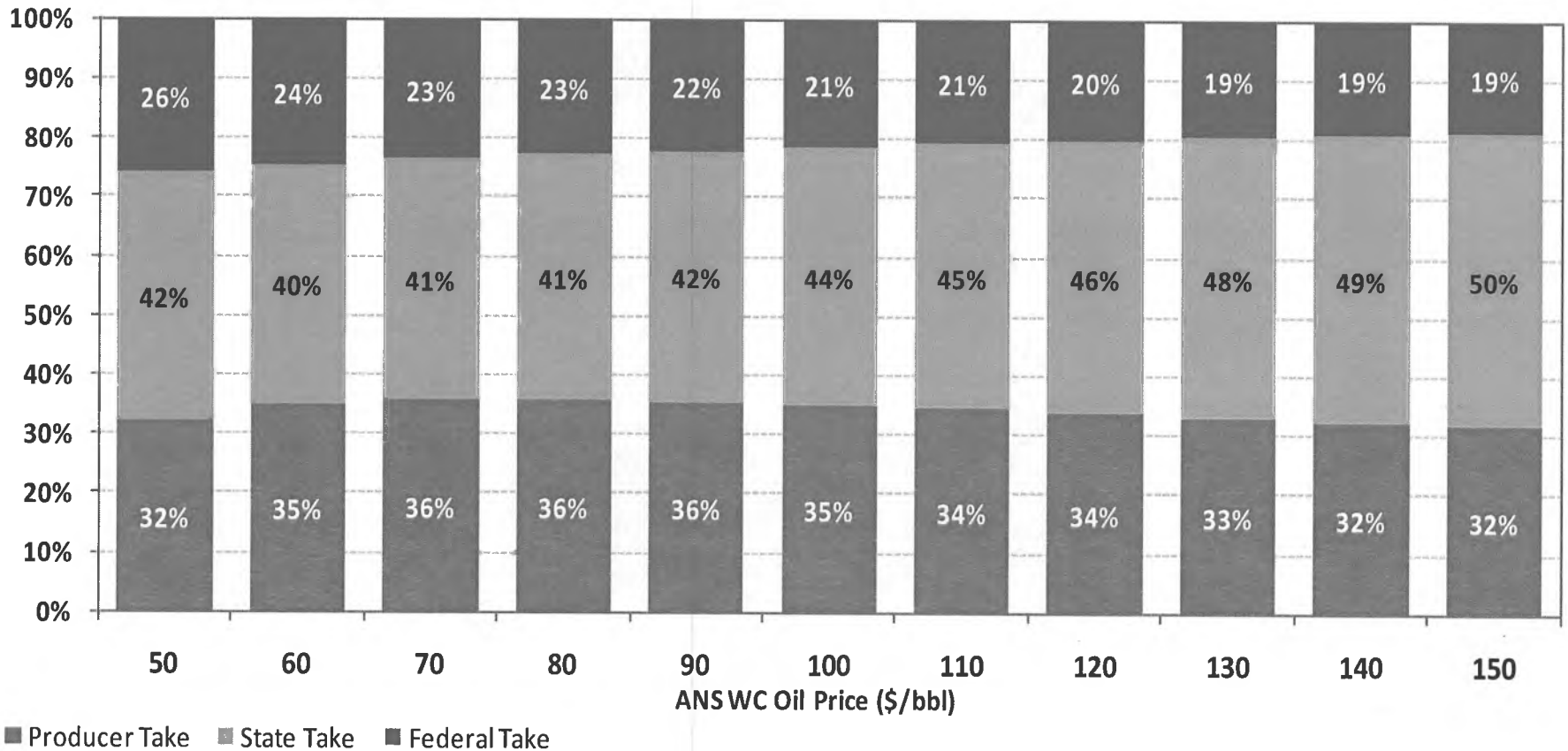


**Assumptions:**

Production Forecast: DOR (Fall 2010) from 2013 to 2040  
 Price Forecast: Flat prices, and 0% escalation p.a.  
 OPEX and CAPEX inflation: 0% p.a.



# Total CF split (2013 to 2040) under HB110 at different oil prices for a the DOR Production Forecast



**Assumptions:**

Production Forecast: DOR (Fall 2010) from 2013 to 2040  
Price Forecast: Flat prices, and 0% escalation p.a.  
OPEX and CAPEX inflation: 0% p.a.



# HB 110

## Bill Sectional



# Bill Sectional



- **Sections 1-5:** AS 43.05.225 is amended to reduce interest rates on delinquent taxes and refunds.
  - New rate - federal rate plus 3% or 11 %, whichever is lower.
  - Current rate is federal rate plus 5% or 11%, whichever is higher.



# Bill Sectional



- **Section 6: Levy of tax.**
  - Rate is 25% + bracketed progressivity for oil and gas from current leases or properties.
  - Rate is 15% + bracketed progressivity for production from lease or property that had not been in a unit or in commercial production prior to Dec 31, 2010.
  - Progressivity would be levied on an annual, rather than a monthly, basis.



# Bill Sectional



- **Section 7:** Lowers threshold prices for application of minimum tax.
- **Section 8:** Provides incremental, bracketed progressivity. The applicable progressivity rate applies only to the fraction of the production tax value that falls within the incremental rate. Maximum total tax rate is 50% for production subject to the 25% base rate. Maximum total tax rate is 40% for production subject to the 15% base rate.



# Bill Sectional



- **Section 9:** Statute requiring monthly payments is revised to account for annual progressivity calculation and new tax rate for certain fields.
- **Section 10:** Conforming amendment for interest rate change.
- **Section 11:** Removes requirement that tax credits for qualified capital expenditures be taken over two years.
- **Section 12:** Provides that tax credit certificates will be issued as one certificate.



# Bill Sectional



- **Sections 13-14:** Amendments to reflect interest rate change and relating to the issuance of well lease expenditure credit certificates.
- **Sections 15-16:** Expands the 40% well lease expenditure credit to qualified expenditures made on the North Slope.
- **Sections 17-18:** Conforming amendments.
- **Section 19:** Statute of limitations for production tax reduced from 6 years to 4 years, beginning with 2014 tax liability.



# Bill Sectional



- **Section 20:** AS 43.55.160 amended to account for production subject to 15% tax rate and progressivity changes.
- **Sections 21-23:** Conforming amendments for interest rate change.
- **Section 24:** Repeals AS 43.55.023(m), since all capital credit certificates will be issued as one certificate.



# Bill Sectional



- **Section 25:** Applicability provision for clarification.
- **Section 26:** Provides DOR authority to adopt regulations to implement the bill.
- **Sections 27-30:** Effective date provisions.



# HB 110 Effective Dates



***7/1/2011:***

**Reduced interest rate for overpayment and underpayment of taxes.**

***1/1/2012:***

**Credits for expenditures made after this date can be used in one year .  
40% Well Lease Expenditure credit extended to North Slope.**

***1/1/2013:***

**Annual progressivity, bracketed progressivity, 50% max rate.  
Lower tax rate for new leases or properties.  
Changes to minimum tax thresholds.**

***1/1/2014:***

**Statute of limitations for production tax changed from 6 years to 4 years.**

**State of Alaska**  
Department of Revenue

*Commissioner Bryan Butcher*



**SEAN PARNELL, GOVERNOR**

333 Willoughby Avenue, 11<sup>th</sup> Floor

P.O. Box 110400

Juneau, Alaska 99800-0400

Phone: (907) 465-2300

Fax: (907) 465-2389

The Honorable Eric Feige  
State Capitol Room 126  
Juneau AK, 99801

February 23, 2011

The Honorable Paul Seaton  
State Capitol Room 102  
Juneau AK, 99801

SUBJECT: Response to Questions from House Resources Meeting on February 21, 2011

Dear Representatives Feige and Seaton:

The purpose of this document is to respond to the follow-up questions from the House Resources Committee meeting on February 21, 2011. The requests/questions and responses follow.

- 1) **Compare effective tax rates to other jurisdictions where major producers are investing.**

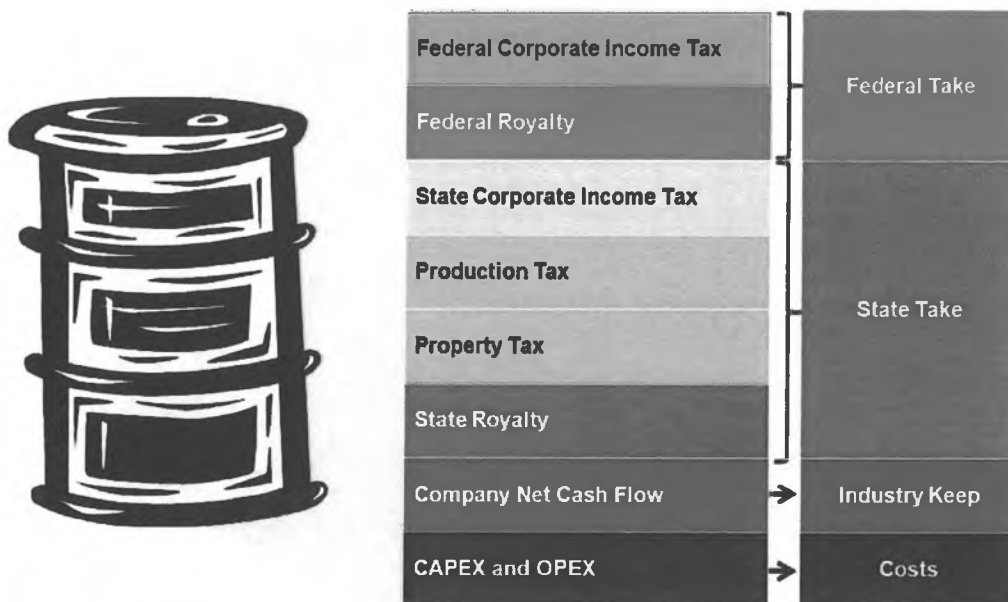
In comparing Alaska to other jurisdictions it is informative to look at total government take, as opposed to just taxes. Total government take includes all aspects of a particular fiscal regime including royalties, corporate income taxes, and production shares. The total government take is calculated as:

***Federal Take + State Take***

---

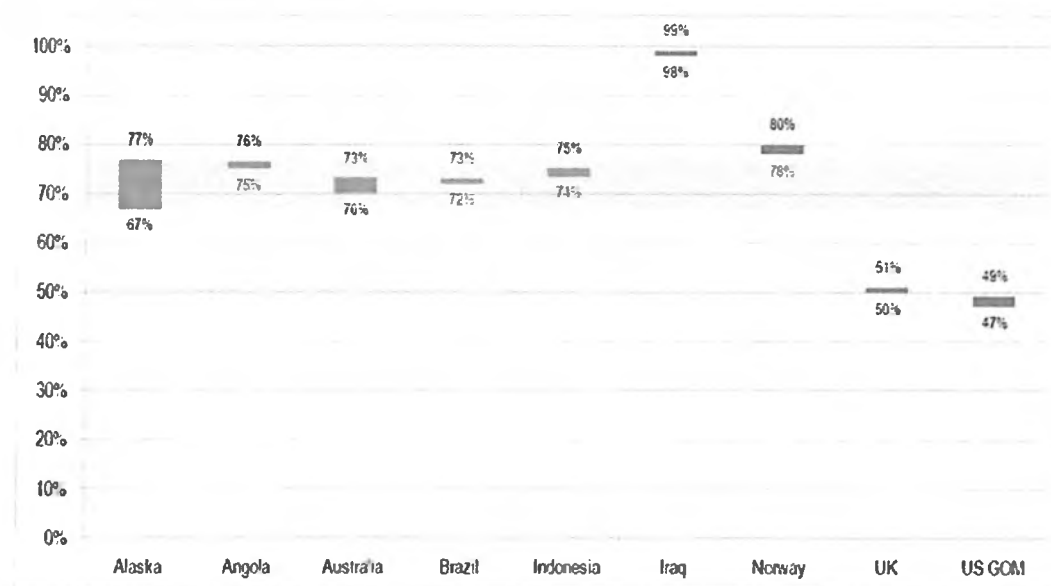
***Field Revenue – Capex – Opex***

The following graphic illustrates the components that comprise government take.



The following chart, extracted from a presentation given to Senate Finance on 2/22/10, presents total government take at oil prices of \$70 and \$150, in jurisdictions selected for their ability to attract hydrocarbon investments. The government take calculations are based on a production profile and costs similar to those in Alaska, with the various fiscal systems applied. The chart shows that Alaska's current total government take (about 67% at \$70 oil and about 77% at \$150 oil) is similar to the government take in a number of these jurisdictions; though significantly higher than the government take in the UK and the US Gulf of Mexico. Although Alaska's government take is similar to some other jurisdictions, Alaska is not currently attracting the desired level of exploration and development.

## Remaining NS Oil Profile Total Government Take



Note: Oil price \$70-\$150/bbl

Total Government Take - Alaska

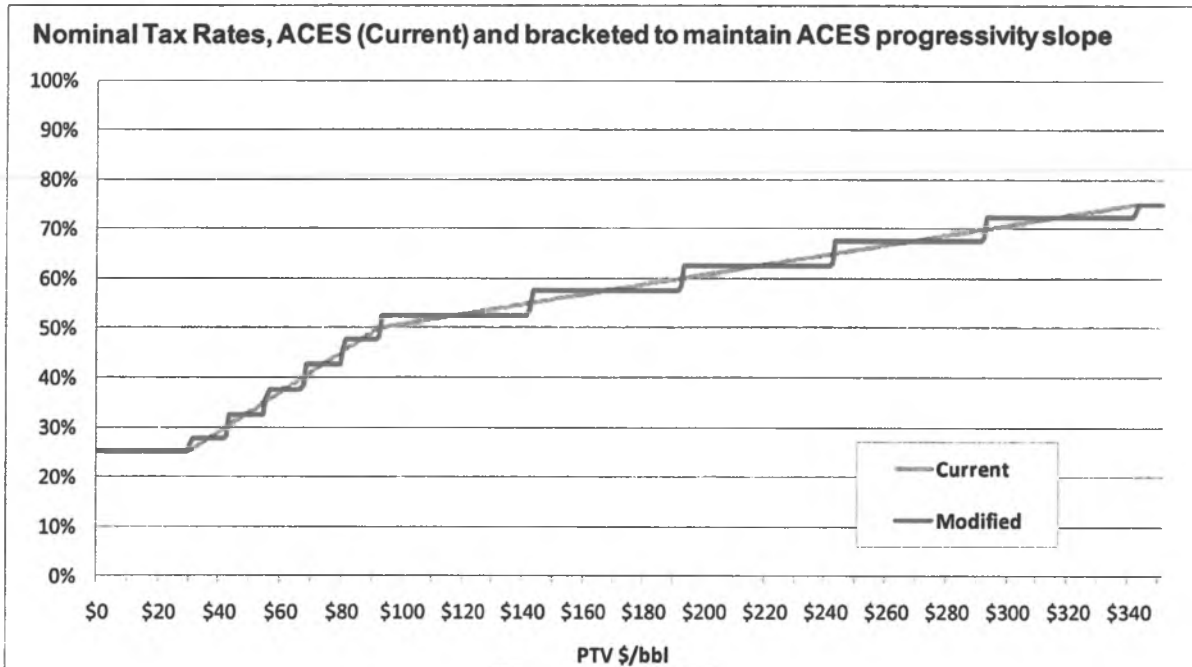
**2) How much reinvestment of tax savings would occur if HB 110 passes as written?**

The Department cannot say for certain the amount of reinvestment that will occur if HB 110 is enacted. A primary goal of the bill is to improve the investment climate in Alaska. Many companies that are currently producing, or hope to pursue new exploration and development, have testified to the beneficial impact this bill will have in terms of encouraging new investment and production.

**3) Provide a slide showing tax rates if we were to maintain the same tax rates as ACES, but bracket progressivity.**

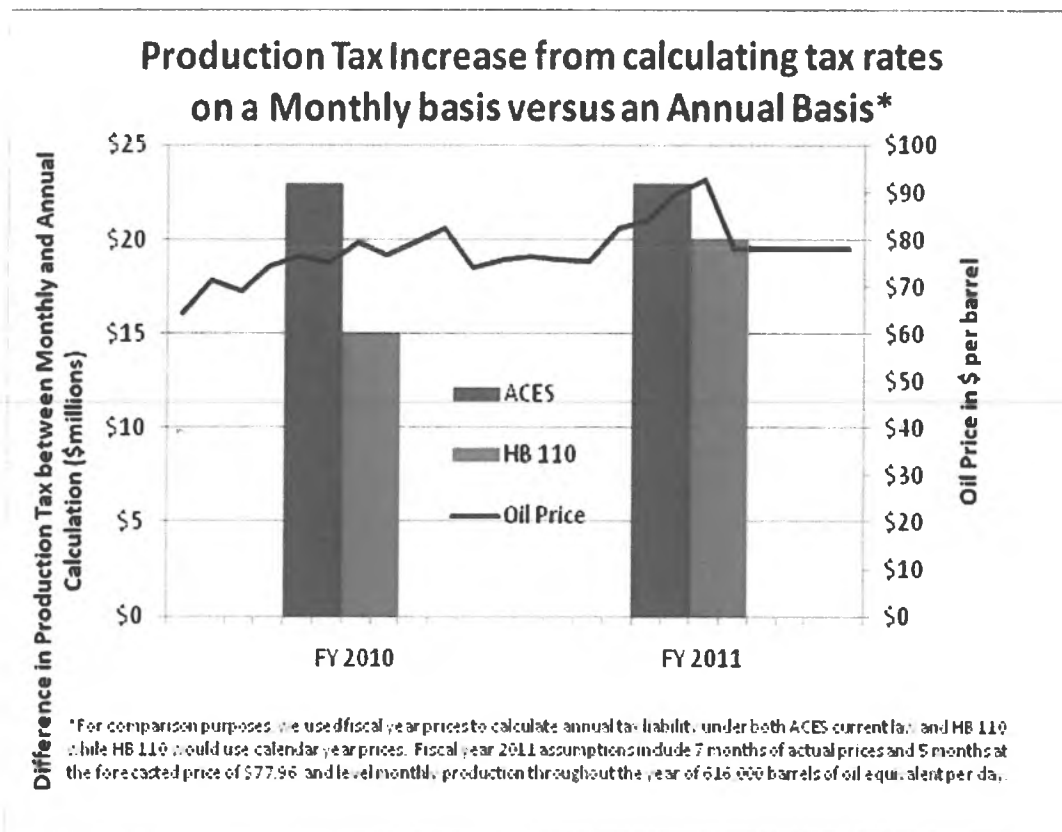
The following table and graph show how a marginal bracket approach could be applied to the production tax, while maintaining the same progressivity slope that exists currently under ACES. HB 110 implements this approach, with the exception that HB 110 caps the total tax rate at 50% compared to 75% under ACES.

Production Tax Value Bracket (\$/boe)	Production Tax Rate (%)
0 to 30	25.0%
30 to 42.5	27.5%
42.5 to 55	32.5%
55 to 67.5	37.5%
67.5 to 80	42.5%
80 to 92.5	47.5%
92.5 to 142.5	52.5%
142.5 to 192.5	57.5%
192.5 to 242.5	62.5%
242.5 to 292.5	67.5%
292.5 to 342.5	72.5%
More than 342.5	75.0%



4) Provide estimates of the revenue impact of switching from monthly to annual progressivity calculation.

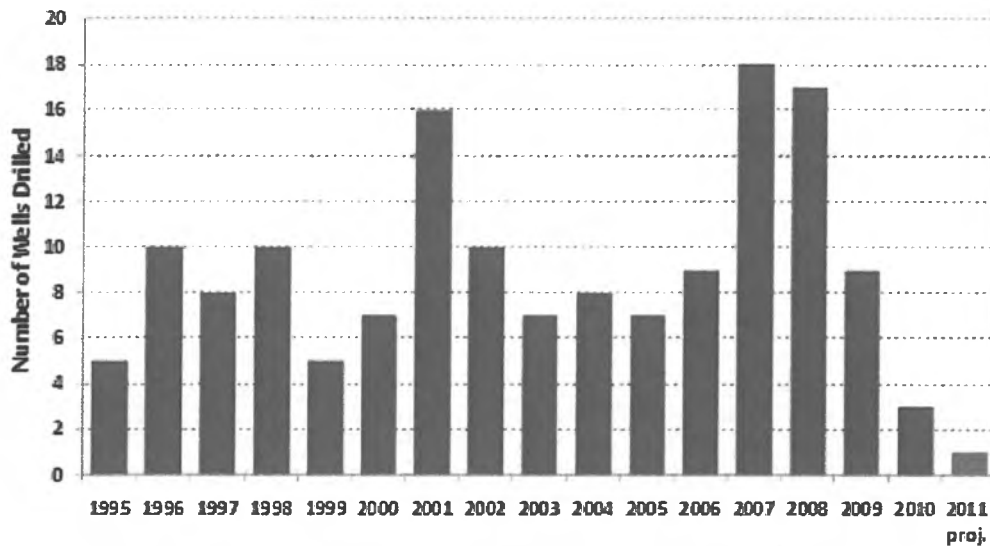
House Bill 110 proposes a change to the production tax rates and with it, a change to the calculation of those rates from a monthly calculation to an annual calculation. Depending on the monthly volatility in oil prices, the tax rate calculated annually may be different than the tax rate calculated monthly, thereby affecting total production tax revenues. Under most scenarios, the annual calculation will yield a lower tax rate and therefore lower production tax revenues than the monthly calculation. The difference in production tax revenue calculated monthly versus annually is much less under HB 110 than it is under ACES, however. We provide the following graph which shows the production tax increase for FY10 and projected for FY11 from calculating the tax rate monthly versus annually for both ACES and for HB 110.



5) Provide a slide showing exploration wells drilled each year, including prior to 2005.

The following chart shows exploration wells drilled on the North Slope since 1995, according to the Alaska Oil and Gas Conservation Commission. The Department of Natural Resources currently projects one exploration well for 2011.

### Exploration Wells Drilled, North Slope



Source: Alaska Oil and Gas Conservation Commission and Department of Natural Resources

**6) Provide information on the components of federal government take, and explain why the federal government does not reduce their take to encourage exploration.**

For production on state land, the primary component of federal government take is the corporate income tax, with a top marginal tax rate of 35%. State taxes are deductible in calculating federal taxable income. If a company is paying at the top marginal tax rate, then of the profit that remains after state taxes and royalties, the federal government receives 35% through the corporate income tax.

The federal government does have certain tax credits that help to encourage development at lower oil prices. These were discussed in the Department's response to questions raised at the February 7, 2011 hearing for HB 110, and that response is included again in its entirety below.

The following list presents the primary oil and gas related tax credits that are available against federal corporate income tax. There are also many federal tax credits that are available to all corporations which are not detailed here.

**Enhanced Oil Recovery Credit (EOR)**

- Credit of 15% of qualified costs against federal tax.
- Credit phases out when price of oil exceeds \$28 /bbl (adjusted for inflation).
- No EOR allowed since 2005, because the list price exceeded the inflation adjusted price of oil. The list price for 2009 was \$56.39 /bbl

**Marginal Well Credit**

- Credit up to \$3/bbl available only to owner of operating interest.

- Marginal well = oil production not more than 25 bbls/day, and not less than 95% water.
- Credit available only when price of oil less than \$18/bbl.

**Nonconventional Fuel Source Credit**

- Credit up to \$3 (adjusted for inflation) per BOE (barrel of oil equivalent, with 5.8 million Btu content)
- Credit completely phased out when inflation adjusted price of oil exceeds \$33.46/bbl. List price of oil in 2009 was \$56.39 /bbl.
- Credit on oil only from shale or tar sands.
- Credit on synthetic fuels from coal.
- Credit on gas produced only from:
  1. Devonian shale
  2. coal seams
  3. tight formations
  4. biomass
  5. geo pressured brine

**7) Provide our legal opinion regarding whether new information about company spending could be collected by statute, versus by regulation.**

Under current statutes, the Department may request taxpayer information needed to provide forecasts and to administer the production tax, including information needed to audit claimed capital credit expenditures. Current statutes authorize the Department to adopt regulations requiring taxpayers to submit more detailed information about capital expenditures.

Under AS 43.05.230 (e), the Department would be able to release information about classification of capital spending only to the extent that it could be compiled as a general statistic that would prevent the identification of a particular return or report.

Under AS 43.55.890, the Department can publish information on qualified capital expenditures, as defined in AS 43.55.023, if aggregated among three or more producers or explorers, by month or calendar year and lease or property, unit, or area of the state.

**8) Does Section 20 of the bill allow small producers to “double up” on credits?**

Section 20 of HB 110 does not allow small producers to “double up” on credits. Section 20 of HB 110 makes no change to the AS 43.55.024(a) new area development credit or to the .024(c) credits for small producers. House Bill 110 simply cleans up the reporting to address the .024 credits since current AS 43.55.160 does not take into account the fact that for some producers, those credits will sunset in 2016, while for other producers the credit will be available for 9 years after they commence production. The amendments to

AS 43.55.160 in HB 110 simply take this into account, no change is made to how the AS 43.55.024 credits apply.

**9) Provide information about the state revenues and other benefits that would accrue from OCS development.**

The Outer Continental Shelf (OCS) encompasses submerged lands and waters between state jurisdiction and the extent of federal jurisdiction. State jurisdiction in Alaska extends three miles from the coastline. Federal jurisdiction extends 197 miles beyond the state jurisdiction for a total of 200 miles total from the coastline.

Revenue from oil and gas activity in Federal waters within three nautical miles of state waters is subject to Section 1337 (8)(g) of the Outer Continental Shelf Lands Act (OCSLA), which requires 27% of the total revenue to be shared with the state.

According to reports released by the MMS in 2006, the Alaska OCS is estimated to contain at least 50 billion barrels of oil equivalent (BOE) at the 50% confidence level. It is unclear what percentage of the estimated 50 billion BOE of technically recoverable resource would fall within the three to six mile region requiring revenue sharing with the state of Alaska. However, the State of Alaska would likely benefit indirectly from any development in the OCS.

In addition to direct revenue sharing the state would be entitled to from any development within three miles of state waters, the State of Alaska would benefit from OCS development through increased employment, increased throughput on the Trans-Alaska Pipeline System (TAPS), increased property tax payments and multiple other sources of revenue enhancement through the multiplier effect. Specifically, increased TAPS throughput would reduce the tariff on a per barrel basis increasing wellhead value for all production including, taxable production on state lands. Further, increased throughput on TAPS would likely assist in extending the operating life of TAPS allowing for increased recovery of oil in North Slope fields that might not otherwise have been recovered.

**10) Produce an estimate of what the price of oil would have to be to cover the cost of the Governor's proposed FY 12 budget were all the provisions of HB 110 in effect currently.**

The Governor's proposed FY 12 budget, with proposed amendments as of February 16, 2011, includes a total authorization to spend of \$5,466.2 million of Unrestricted General Funds, after accounting for transfers and savings.

House Bill 110 is written to gradually phase in the provisions of the production tax changes. As such, our analysis shows that there is little to no direct fiscal impact in FY 12 from the provisions of HB 110 other than agency costs of approximately \$100,000 to adjust the Tax Division's accounting system. Under the provisions in HB 110, therefore,

the price of oil would have to average approximately \$81 per barrel to provide sufficient unrestricted revenue to cover the Governor's budget for FY 12.

If we assume that all of the provisions of HB 110 are in place prior to the start of FY 12, a price of approximately \$90 to \$92 per barrel would be needed to provide sufficient unrestricted revenue to cover the Governor's budget for FY 12. This figure is calculated using the bracketed annual tax rates included in HB 110, as well as the annual \$200 to \$400 million estimate for the well lease expenditure credit (which accounts for the range of oil prices in the result). We did not include estimates for provisions that were revenue neutral or for those that did not have a quantifiable impact on our revenue forecast. Our analysis included adjustments to only production tax and royalty; all other revenues were assumed to be the same as estimated in our Fall 2010 forecast.

**11) Provide clarification on how the minimum tax is applied.**

In response to discussion in the committee hearing, we would like to provide clarification regarding how the minimum tax under ACES is applied. HB 110 would strengthen the minimum tax by adjusting the price thresholds used in calculating the minimum tax.

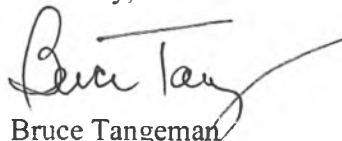
Under current law, the production tax is the higher of the minimum tax under AS 43.55.011(f) and the tax under AS 43.55.011(e). At an oil price of \$21 per barrel, the tax calculated under AS 43.55.011(e) would likely be zero, as the costs of the oil production would overtake any profit from that production. In that case, the minimum tax under AS 43.55.011(f) would apply. The minimum tax under current law would be 3% of gross value at the point of production, or about \$0.42 [3% x (\$21-\$7 transit costs)]. Because HB 110 lowers the threshold so that 4% of gross value applies to oil prices at \$20 and above, the minimum tax would be 4% of the gross value at the point of production, or about \$0.56 [3% x \$21-\$7].

**12) Modeling request from Co-Chair Seaton**

Co-chair Seaton has requested that the Department prepare models of ACES and HB 110, using a specific set up assumptions. The result of this analysis will be provided to the committee separate from this letter.

We hope our responses fully answer your questions.

Sincerely,



Bruce Tangeman  
Deputy Commissioner

AMENDMENT #1

OFFERED IN THE HOUSE  
TO: HB 110

BY REPRESENTATIVE FEIGE

- 1 Page 3, line 10:
- 2 Delete "as of December 31, 2010, was or had previously been"
- 3 Insert "on December 31, 2008, was"

adopted  
U.C.

Adopted  
U.C.

AMENDMENT #2

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: HB 110

1 Page 1, line 6, following "production":

2 Insert "relating to certain additional nontransferable oil and gas production tax  
3 credits;"

4

5 Page 12, following line 5:

6 Insert new bill sections to read:

7 \*\* Sec. 17. AS 43.55.024(b) is amended to read:

8 (b) A producer may not take a tax credit under (a) of this section for any  
9 calendar year after the later of

10 (1) 2021 [2016]; or

11 (2) the ninth calendar year after the calendar year during which the  
12 producer first has commercial oil or gas production before May 1, 2021 [2016], from  
13 at least one lease or property in the state outside the Cook Inlet sedimentary basin, no  
14 part of which is north of 68 degrees North latitude, if the producer did not have  
15 commercial oil or gas production from a lease or property in the state outside the Cook  
16 Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, before  
17 April 1, 2006.

18 \* Sec. 18. AS 43.55.024(d) is amended to read:

19 (d) A producer may not take a tax credit under (c) of this section for any  
20 calendar year after the later of

21 (1) 2021 [2016]; or

22 (2) if the producer did not have commercial oil or gas production from  
23 a lease or property in the state before April 1, 2006, the ninth calendar year after the

1 calendar year during which the producer first has commercial oil or gas production  
2 before May 1, 2021 [2016], from at least one lease or property in the state."

3

4 Renumber the following bill sections accordingly.

5

6 Page 16, line 10:

7 Delete "Sections 6 - 9 and 20"

8 Insert "Sections 6 - 9 and 22"

9

10 Page 16, line 12:

11 Delete "Section 19"

12 Insert "Section 21"

13

14 Page 16, line 20:

15 Delete "Sections 11, 12, 14 - 18, 24, and 25(a)"

16 Insert "Sections 11, 12, 14 - 16, 19, 20, 26, and 27(a)"

17

18 Page 16, line 21:

19 Delete "Sections 6 - 9, 20, and 25(b)"

20 Insert "Sections 6 - 9, 22, and 27(b)"

21

22 Page 16, line 22:

23 Delete "Sections 19 and 25(c)"

24 Insert "Sections 21 and 27(c)"

25

26 Page 16, line 23:

27 Delete "secs. 27 - 29"

28 Insert "secs. 29 - 31"

*adopted UC*

AMENDMENT #3

OFFERED IN THE HOUSE  
TO: HB 110

BY REPRESENTATIVE SEATON

1 Page 1, lines 4 - 5:

2 Delete "for certain expenditures"

3

4 Page 12, following line 5:

5 Insert a new bill section to read:

6 **\*\* Sec. 17. AS 43.55.024(c) is amended to read:**

7 (c) For a calendar year for which a producer's tax liability under  
8 AS 43.55.011(e) exceeds zero before application of any credits under this chapter,  
9 other than a credit under (a) of this section but after application of any credit under (a)  
10 of this section, a producer that is qualified under (e) of this section and whose average  
11 amount of oil and gas produced a day and taxable under AS 43.55.011(e) is less than  
12 100,000 BTU equivalent barrels a day may apply a tax credit under this subsection  
13 against that liability. A producer whose average amount of oil and gas produced a day  
14 and taxable under AS 43.55.011(e) is

15 (1) not more than 50,000 BTU equivalent barrels may apply a tax  
16 credit of not more than \$15,000,000 [\$12,000,000] for the calendar year;

17 (2) more than 50,000 and less than 100,000 BTU equivalent barrels  
18 may apply a tax credit of not more than \$15,000,000 [\$12,000,000] multiplied by the  
19 following fraction for the calendar year:

20 
$$1 - [2 \times (AP - 50,000)] / 100,000$$

21 where AP = the average amount of oil and gas taxable under AS 43.55.011(e),  
22 produced a day during the calendar year in BTU equivalent barrels."

23

1    Renumber the following bill sections accordingly.

2

3    Page 16, line 10:

4           Delete "Sections 6 - 9 and 20"

5           Insert "Sections 6 - 9 and 21"

6

7    Page 16, line 12:

8           Delete "Section 19"

9           Insert "Section 20"

10

11   Page 16, line 20:

12           Delete "Sections 11, 12, 14 - 18, 24, and 25(a)"

13           Insert "Sections 11, 12, 14 - 16, 18, 19, 25, and 26(a)"

14

15   Page 16, line 21:

16           Delete "Sections 6 - 9, 20, and 25(b)"

17           Insert "Sections 6 - 9, 21, and 26(b)"

18

19   Page 16, line 22:

20           Delete "Sections 19 and 25(c)"

21           Insert "Sections 20 and 26(c)"

22

23   Page 16, line 23:

24           Delete "secs. 27 - 29"

25           Insert "secs. 28 - 30"

*adopted u.c.*

AMENDMENT #4

OFFERED IN THE HOUSE  
TO: HB 110

BY REPRESENTATIVE SEATON

1 Page 12, following line 5:

2 Insert new bill sections to read:

3 **\*\* Sec. 17.** AS 43.55.025(b) is amended to read:

4 (b) To qualify for the production tax credit under (a) of this section, an  
5 exploration expenditure must be incurred for work performed after June 30, 2008, and  
6 before July 1, 2021 [2016], and

7 (1) may be for seismic or other geophysical exploration costs not  
8 connected with a specific well;

9 (2) if for an exploration well,

10 (A) must be incurred by an explorer that holds an interest in the  
11 exploration well for which the production tax credit is claimed;

12 (B) may be for either a well that encounters an oil or gas  
13 deposit or a dry hole;

14 (C) must be for a well that has been completed, suspended, or  
15 abandoned at the time the explorer claims the tax credit under (f) of this  
16 section; and

17 (D) must be for goods, services, or rentals of personal property  
18 reasonably required for the surface preparation, drilling, casing, cementing,  
19 and logging of an exploration well, and, in the case of a dry hole, for the  
20 expenses required for abandonment if the well is abandoned within 18 months  
21 after the date the well was spudded;

22 (3) may not be for administration, supervision, engineering, or lease  
23 operating costs; geological or management costs; community relations or

1 environmental costs; bonuses, taxes, or other payments to governments related to the  
 2 well; costs, including repairs and replacements, arising from or associated with fraud,  
 3 wilful misconduct, gross negligence, criminal negligence, or violation of law,  
 4 including a violation of 33 U.S.C. 1319(c)(1) or 1321(b)(3) (Clean Water Act); or  
 5 other costs that are generally recognized as indirect costs or financing costs; and

6 (4) may not be incurred for an exploration well or seismic exploration  
 7 that is included in a plan of exploration or a plan of development for any unit before  
 8 May 14, 2003.

9 \* **Sec. 18.** AS 43.55.025(k) is amended to read:

10 (k) Subject to the terms and conditions of this section, if a claim is filed under  
 11 (f)(1) of this section before January 1, 2021 [2016], a credit against the production tax  
 12 levied by AS 43.55.011(e) is allowed in an amount equal to five percent of an eligible  
 13 expenditure under this subsection incurred for seismic exploration performed before  
 14 July 1, 2003. To be eligible under this subsection, an expenditure must

15 (1) have been for seismic exploration that

16 (A) obtained data that the commissioner of natural resources  
 17 considers to be in the best interest of the state to acquire for public distribution;  
 18 and

19 (B) was conducted outside the boundaries of a production unit;  
 20 however, the amount of the expenditure that is otherwise eligible under this  
 21 section is reduced proportionately by the portion of the seismic exploration  
 22 activity that crossed into a production unit; and

23 (2) qualify under (b)(3) of this section."  
 24

25 Renumber the following bill sections accordingly.  
 26

27 Page 16, line 10:

28 Delete "Sections 6 - 9 and 20"

29 Insert "Sections 6 - 9 and 22"  
 30

31 Page 16, line 12:


- 1 Delete "Section 19"
- 2 Insert "Section 21"
- 3
- 4 Page 16, line 20:
  - 5 Delete "Sections 11, 12, 14 - 18, 24, and 25(a)"
  - 6 Insert "Sections 11, 12, 14 - 16, 19, 20, 26, and 27(a)"
  - 7
- 8 Page 16, line 21:
  - 9 Delete "Sections 6 - 9, 20, and 25(b)"
  - 10 Insert "Sections 6 - 9, 22, and 27(b)"
  - 11
- 12 Page 16, line 22:
  - 13 Delete "Sections 19 and 25(c)"
  - 14 Insert "Sections 21 and 27(c)"
  - 15
- 16 Page 16, line 23:
  - 17 Delete "secs. 27 - 29"
  - 18 Insert "secs. 29 - 31"

*adopted  
U.C.*

AMENDMENT #5 as amended

OFFERED IN THE HOUSE  
TO: HB 110

BY REPRESENTATIVE SEATON

- 1 Page 16, line 8:
- 2 Delete "Sections 11, 12, 15, and 16"
- 3 Insert "Sections 15 and 16"
- 4
- 5 Page 16, line 20:
- 6 Delete "Sections 11, 12, 14 - 18, 24, and 25(a)"
- 7 Insert "Sections 14 - 18, 24, and 25(a)"
- 8
- 9 Page 16, following line 22:
- 10 Insert a new bill section to read:
- 11 **\*\* Sec. 30.** Sections 11 and 12 of this Act take effect immediately under AS 01.10.070(c)."
- 12 
- 13 Renumber the following bill section accordingly.
- 14
- 15 Page 16, line 23:
- 16 Delete "secs. 27 - 29"
- 17 Insert "secs. 27 - 30"

*Concept  
Amend*



*Make this prov retro  
to Jan 1 - 2011.*

*amend  
to amend  
U.C.*

*adopted*

AMENDMENT #6

OFFERED IN THE HOUSE  
TO: HB 110

BY REPRESENTATIVE SEATON

1 Page 12, following line 5:

2 Insert new bill sections to read:

3 **\*\* Sec. 17.** AS 43.55.025(a) is amended to read:

4 (a) Subject to the terms and conditions of this section, a credit against the  
5 production tax levied by AS 43.55.011(e) is allowed for exploration expenditures that  
6 qualify under (b) of this section in an amount equal to one of the following:

7 (1) 30 percent of the total exploration expenditures that qualify only  
8 under (b) and (c) of this section;

9 (2) 30 percent of the total exploration expenditures that qualify only  
10 under (b) and (d) of this section;

11 (3) 40 percent of the total exploration expenditures that qualify under  
12 (b), (c), and (d) of this section;

13 (4) 40 percent of the total exploration expenditures that qualify only  
14 under (b) and (e) of this section; [OR]

15 (5) 80, 90, or 100 percent, or a lesser amount described in (l) of this  
16 section, of the total exploration expenditures described in (b)(1) and (2) of this section  
17 and not excluded by (b)(3) and (4) of this section that qualify only under (l) of this  
18 section; or

19 **(6) 30 percent of the total exploration expenditures that qualify**  
20 **only under (b) and (n) of this section.**

21 **\* Sec. 18.** AS 43.55.025 is amended by adding a new subsection to read:

22 (n) To be eligible for the 30 percent production tax credit authorized by (a)(6)  
23 of this section, exploration expenditures must be for a well drilled north of 68 degrees

1 North latitude that is  
2 (1) outside of a unit; or  
3 (2) within a unit formed after June 30, 2008, and the exploration  
4 expenditures are incurred before the later of the date that is four years after the date  
5 the  
6 (A) unit is formed; or  
7 (B) first exploration well is drilled on a lease or property that is  
8 within the unit."  
9

10 Renumber the following bill sections accordingly.

11

12 Page 16, line 8:

13 Delete "Sections 11, 12, 15, and 16"

14 Insert "Sections 11, 12, and 15 - 18"

15

16 Page 16, line 10:

17 Delete "Sections 6 - 9 and 20"

18 Insert "Sections 6 - 9 and 22"

19

20 Page 16, line 12:

21 Delete "Section 19"

22 Insert "Section 21"

23

24 Page 16, line 20:

25 Delete "Sections 11, 12, 14 - 18, 24, and 25(a)"

26 Insert "Sections 11, 12, 14 - 20, 26, and 27(a)"

27

28 Page 16, line 21:

29 Delete "Sections 6 - 9, 20, and 25(b)"

30 Insert "Sections 6 - 9, 22, and 27(b)"

31

- 1 Page 16, line 22:
- 2 Delete "Sections 19 and 25(c)"
- 3 Insert "Sections 21 and 27(c)"
- 4
- 5 Page 16, line 23:
- 6 Delete "secs. 27 - 29"
- 7 Insert "secs. 29 - 31"

as amended

27-GH1007A.38  
Bullock  
2/5/11

adopted  
U.C.

AMENDMENT #7

OFFERED IN THE HOUSE  
TO: HB 110

BY REPRESENTATIVE PEGGY WILSON

1 Page 1, line 7, following "values;":

2 Insert "relating to the disclosure of certain tax information;"

3

4 Page 15, following line 15:

5 Insert a new bill section to read:

6 "\*\* Sec. 21. AS 43.55.890 is amended to read:

7 **Sec. 43.55.890. Disclosure of tax information.** Notwithstanding any contrary  
8 provision of AS 40.25.100, and regardless of whether the information is considered  
9 under AS 43.05.230(e) to constitute statistics classified to prevent the identification of  
10 particular returns or reports, the department may publish the following information  
11 under this chapter, if aggregated among three or more producers or explorers,  
12 showing, by month or calendar year and by lease or property, unit, or area of the state:

13 (1) the amount of oil or gas production;

14 (2) the amount of taxes levied under this chapter or paid under this  
15 chapter;

16 (3) the effective tax rates under this chapter;

17 (4) the gross value of oil or gas at the point of production;

18 (5) the transportation costs for oil or gas;

19 (6) qualified capital expenditures, as defined in AS 43.55.023;

20 (7) exploration expenditures under AS 43.55.025;

21 (8) production tax values of oil or gas under AS 43.55.160;

22 (9) lease expenditures under AS 43.55.165;

23 (10) adjustments to lease expenditures under AS 43.55.170;

1 (11) tax credits applicable or potentially applicable against taxes levied  
 2 by this chapter; the information relating to tax credits under this paragraph, to  
 3 the extent the information is available to the department, must include the  
 4 statutory authority for each type of credit taken, the amount of credits taken  
 5 under each statute authorizing a tax credit, and whether the credit is for an  
 6 expenditure related to oil or gas exploration, development, or production,  
 7 including the drilling of wells; performing work on existing wells; conducting  
 8 geological or geophysical exploration; acquiring, constructing, or installing new  
 9 facilities or equipment; and maintaining, repairing, or replacing existing facilities  
 10 or equipment."

11  
 12 Renumber the following bill sections accordingly.

*Concept #1 adopted U.C.*  
 ↓

13  
 14 Page 16, following line 19:

15 Insert a new bill section to read:

16 **\*\* Sec. 28.** Section 21 of this Act takes effect immediately under AS 01.10.070(c)."

*Jan 1 2012*

17  
 18 Renumber the following bill sections accordingly.

19  
 20 Page 16, line 20:

21 Delete "Sections 11, 12, 14 - 18, 24, and 25(a)"

22 Insert "Sections 11, 12, 14 - 18, 25, and 26(a)"

23  
 24 Page 16, line 21:

25 Delete "Sections 6 - 9, 20, and 25(b)"

26 Insert "Sections 6 - 9, 20, and 26(b)"

27  
 28 Page 16, line 22:

29 Delete "Sections 19 and 25(c)"

30 Insert "Sections 19 and 26(c)"

31

- 1 Page 16, line 23:
- 2 Delete "secs. 27 - 29"
- 3 Insert "secs. 28 - 31"

Univar  
590 E 100th Avenue  
Anchorage, AK 99515  
USA  
  
T 907-344-7444  
F 907-522-1486  
  
www.univarusa.com



February 22, 2011

Members of the Alaska State Legislature:

At this point in time, the negative impact that ACES has had on the Alaskan economy should be glaringly obvious. Governor Parnell's legislation to modify ACES is a proper step in helping to reverse the decline in our overall economy and in the increasing decline of the State of Alaska's tax base. The modifications will assist in assuring a more competitive long term future for all Alaskans and the dutiful management of our natural resources.

Representative Hawker and other cosponsors in the House are heading in the proper direction as well, even though the two bills vary in specifics in order to maintain and increase a viable stream of oil in the Trans Alaska Pipeline.

The trends in our business since the introduction of ACES are alarmingly negative. It is apparent that policy makers need graphic reminders of previous warnings which were largely unheeded at the time ACES was implemented. It is clear to those of us who support the needs of the oil and gas industry that industry investment dollars are going elsewhere to avoid the uneconomic tax structure here in Alaska. I believe that ACES has killed the golden goose. The risk/reward ratio for Alaskan natural resources is economically out of balance with world markets. As Alaskans I believe we have been very short sided and somewhat arrogant in our demands upon those who are helping us to manage the wealth of our natural resources.

The balancing act of proper economic growth and responsible taxation has never been an easy one, but at this point in time all Alaskans are suffering due to one of the highest tax packages in the world. I support Governor Parnell's attempts to reconsider the tax structure and strongly urge you to pass legislation that will allow for the immediate and long-term expansion of the Alaskan economy.

We must regain our reputation as a fair and commercially stable place to invest.

Kindest regards,

A handwritten signature in black ink, appearing to read "Ken D. Lambertsen", with a long horizontal flourish extending to the right.

Ken D. Lambertsen – Alaska District Manager

**Linda Hay**

---

**From:** raydee@mtaonline.net  
**Sent:** Monday, February 21, 2011 9:47 PM  
**To:** Rep. Alan Austerman; Rep. Berta Gardner; Rep. Beth Kerttula; Rep. Bill Stoltze; Rep. Bryce Edgmon; Rep. Carl Gatto; Rep. Charisse Millett; Rep. David Guttenberg; Rep. Eric Feige; Harry Crawford; Rep. Les Gara; Rep. Mark Neuman; Rep. Mike Chenault  
**Subject:** Oil Incentives  
**Categories:** Linda

Hello All: I am not in favor of giving any additional tax incentives, period. I do not believe they have any more coming. I feel the profits they are taking out of Alaska show they are treated more than fair....In fact they are getting a good deal...Ray

**Linda Hay**

---

**From:** Rep. Paul Seaton  
**Sent:** Monday, February 21, 2011 5:09 PM  
**To:** House Resources  
**Subject:** FW: HB110 PRODUCTION TAX ON OIL AND GAS  
**Attachments:** image001.png

**From:** Lisa Marquiss [<mailto:lmarquiss@carlile.biz>]

**Sent:** Monday, February 21, 2011 4:50 PM

**To:** Rep. Eric Feige; Rep. Paul Seaton; Rep. Peggy Wilson; Rep. Alan Dick; Rep. Neal Foster; Rep. Bob Herron; 'MEMBER: Representative Munoz Rep.!'; Rep. Berta Gardner; Rep. Scott Kawasaki

**Subject:** HB110 PRODUCTION TAX ON OIL AND GAS

I would like to express my support for HB 110 increasing throughput in the Trans Alaska Pipeline by reducing oil taxes and making Alaska more competitive.

I work in the trucking/transportation industry. From a business standpoint we have seen a significant decrease in the amount of freight we transport to the North Slope. We don't see loads of pipe going north, mostly repair and maintenance freight. From a personal standpoint I have 3 children that were all born and raised in Alaska. I would like to see that their futures and the future of all Alaskans have opportunities derived from supporting the oil industry.

Please consider supporting HB110 – reduce the taxes and increase production.

Alaska needs to be Open for Business.

Respectfully,

Lisa Marquiss

---

Lisa Marquiss | Regulatory Compliance Director | Carlile Transportation Systems, Inc. | [www.carlile.biz](http://www.carlile.biz)  
Office 907-343-3238 | Mobile 907-632-2439 | Fax 907-929-5616 | US DOT 190356 | Hazmat 060509 004 11RT



**Linda Hay**

---

**From:** Rep. Paul Seaton  
**Sent:** Monday, February 21, 2011 5:09 PM  
**To:** House Resources  
**Subject:** FW: HB 110  
**Attachments:** HB110 legislature.doc

**From:** Jim Scherieble [<mailto:ischerieble@kenworthalaska.com>]  
**Sent:** Monday, February 21, 2011 4:36 PM  
**To:** Rep. Peggy Wilson; Rep. Eric Feige; Rep. Paul Seaton; Rep. Alan Dick; Rep. Neal Foster; Rep. Bob Herron; Rep. Berta Gardner; Rep. Scott Kawasaki  
**Subject:** HB 110

Please accept my letter of support for HB 110.

Jim Scherieble  
General Manager – Alaska  
Phone 907-279-0602  
Fax 907-258-6639  
Cell 907-230-8335  
[www.kenworthalaska.com](http://www.kenworthalaska.com)

# **KENWORTH ALASKA**

**2838 PORCUPINE DRIVE  
ANCHORAGE, AK 99501  
(907)279-0602  
(907)258-6639 Fax**

Monday, February 21, 2011

RE: HB 110

As a concerned Alaskan, who works and has raised his family in Alaska, I strongly urge confirmation on House Bill 110.

Until Alaska develops and markets other energy resources, oil production will remain the lifeline of our state, it's people, and it's commerce. Alaska has a unique opportunity to take charge of it's future with regulations and laws that invite new industry and provides stability to existing businesses.

Times are changing fast. Many states are on the brink of bankruptcy. Those who are successful are those who generate and implement creative ideas and opportunities. North Dakota is one example, and I have three customers who have relocated their businesses there. Alaska must appeal to business partners as a fair and exciting place to invest in.

HB 110 is the first step to make Alaska "Open for Business"

Thank you.

Jim Scherieble

General Manager  
Kenworth Alaska

**Linda Hay**

---

**From:** Rep. Paul Seaton  
**Sent:** Monday, February 21, 2011 5:09 PM  
**To:** House Resources  
**Subject:** FW: hb110

**From:** [jessica@a2zalaska.com](mailto:jessica@a2zalaska.com) [mailto:[jessica@a2zalaska.com](mailto:jessica@a2zalaska.com)]  
**Sent:** Monday, February 21, 2011 4:34 PM  
**To:** Rep. Paul Seaton  
**Subject:** hb110

Alaska State Legislators,

I am in full Support of Hb110. It makes complete sense that the more expensive or cumbersome the process is here the less likely producers will want to drill here when they can go elsewhere for a better profit. Many Alaskans live in this great state because we have a favorable personal tax climate. If I were to look at moving I would of course consider the local taxes in any given community before making that decision. Why would an oil producer not do the same? Please consider this bill very seriously!

Thank you,

Jessica Dean  
PO Box 872331  
Wasilla, AK 99687

907-982-0900

**Linda Hay**

---

**From:** Rep. Paul Seaton  
**Sent:** Tuesday, February 22, 2011 8:05 AM  
**To:** House Resources  
**Subject:** FW: House Resources Committee meeting 21Feb11  
**Attachments:** image002.gif; API earnings\_perspective\_110120.pdf

**From:** Maynard Tapp [<mailto:maynard@hawkpros.com>]  
**Sent:** Tuesday, February 22, 2011 8:02 AM  
**To:** Rep. Eric Feige; Rep. Paul Seaton; Rep. Peggy Wilson; Rep. Alan Dick; [representative neil foster@legis.state.ak.us](mailto:representative_neil_foster@legis.state.ak.us);  
Rep. Bob Herron; Rep. Cathy Munoz; Rep. Berta Gardner; Rep. Scott Kawasaki  
**Subject:** House Resources Committee meeting 21Feb11

Dear Committee Chair Representative Feige  
CoChair Representative Seaton, And  
Committee Members,

Attached is the information I referred to in my testimony regarding the American Petroleum Institute.

Please refer to page 2 of the presentation "Third Quarter 2010 Earnings by Industry (net income/sales)"

This chart compares the "Oil and Natural Gas" net income at 6.0% compared with "All Manufacturing" at 8.6%.

Please recognize that the Oil and Gas industry does not make a significantly higher percentage of net income in comparison with many other industries. This net income is used by our partners in the oil industry to convince their boards of directors to invest in our state.

I support HB110 in its effort to create the environment for investment.

I also want to recognize the excellent work by Representative Hawker, and Speaker Chenault in their efforts to create the investment environment necessary for the continuous revenue stream to our straight.

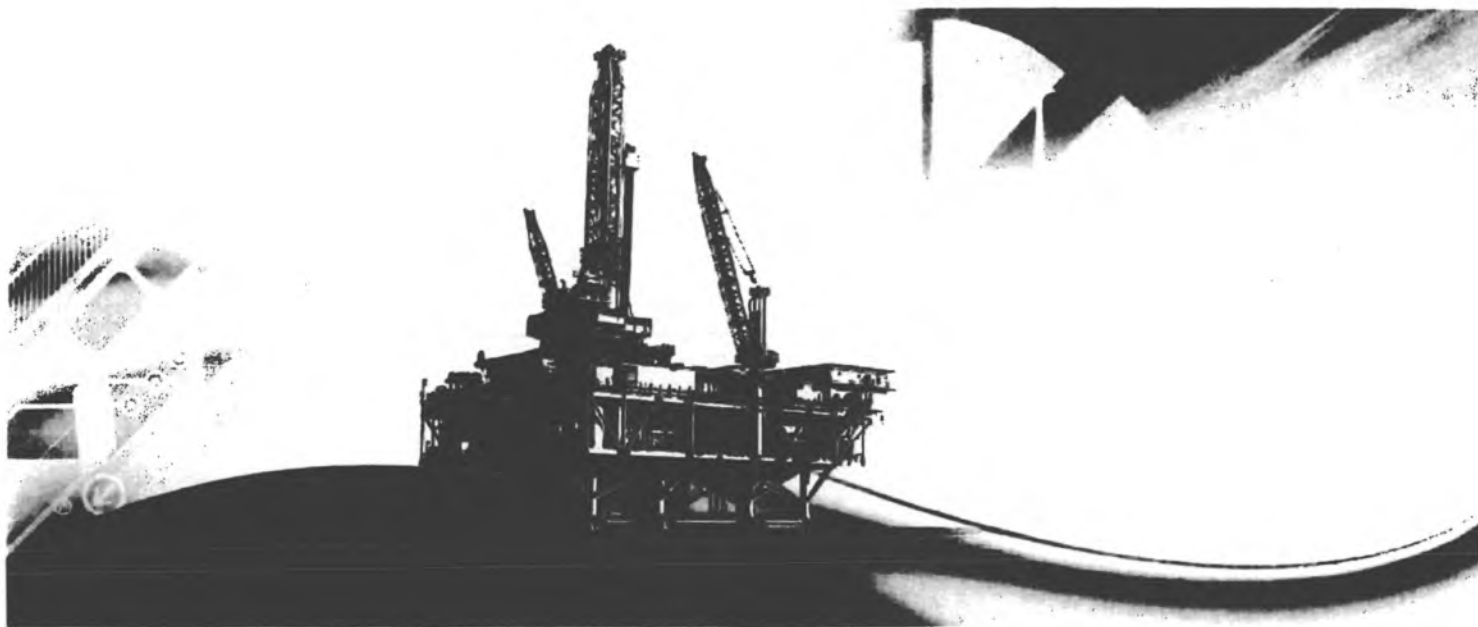
As I said in testimony, the only guarantee I can make is that no dollars taken in taxes will be used for drilling wells to find new sources of oil.

Thank-you for the opportunity to testify.

Regards,  
Maynard

Maynard V. Tapp  
Managing Member  
**HAWK CONSULTANTS LLC**  
[maynard@hawkpros.com](mailto:maynard@hawkpros.com)  
(907)278-1877 office  
(907)278-1889 fax  
(907)223-3677 cell  
<http://www.hawkpros.com>

America's Oil and Natural Gas Industry



# Putting Earnings into Perspective

Facts for Addressing Energy Policy

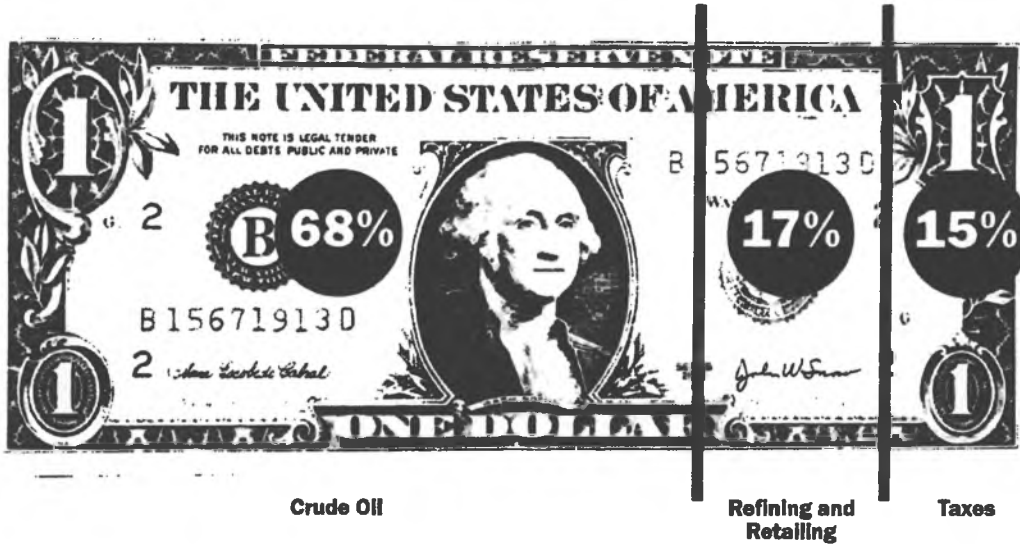
January 20, 2011

For the latest report, please visit [www.apl.org/aboutoilgas](http://www.apl.org/aboutoilgas)

The oil and natural gas industry is massive because it has to be to effectively compete for global energy resources. The industry's earnings make possible the huge investments necessary to help ensure America's energy security. The earnings allow companies to reinvest in the facilities, infrastructure and new technologies that keep America going strong well into the future while generating returns that meet shareholder expectations. API has assembled this primer to help consumers and policymakers better understand how the earnings of the oil and natural gas industry compare with other industries, who benefits, and where the money is going.

Table of Contents	Pump Prices: A Fractional Story	Page 1
	Earnings: How Do They Compare?	Page 2
	Earnings: Keeping America Going Strong	Page 3
	Where the Investments Are Going	Page 4
	Refining Investments and Returns	Page 5
	How Investments Today Pay Off Tomorrow	Page 6
	Capital Spending	Page 7
	Investments to Reduce Emissions	Page 8
	Investments by Technology and Investor Group	Page 9
	Investing in the Environment	Page 10
	Adding Value for Shareholders	Page 11
	Who Owns "Big Oil"?	Page 12
	Taxes Paid by the Oil and Natural Gas Industry	Page 13

## What Consumers are Paying for at the Gasoline Pump



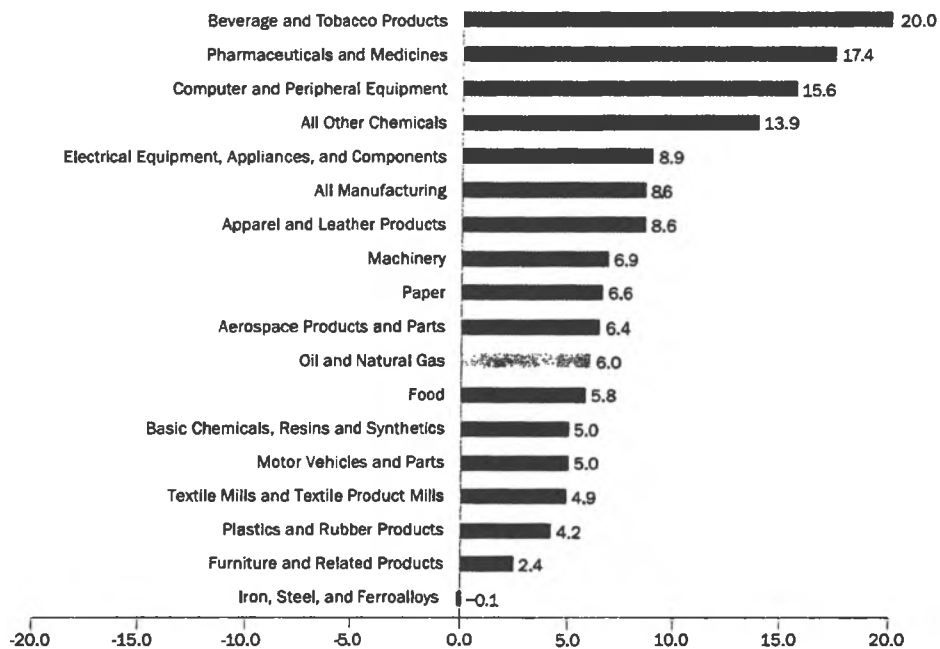
Source: Average of gasoline components from January through November 2010 as reported by EIA.

### Pump prices: A fractional story.

The biggest single component of retail gasoline prices is the cost of the raw material used to produce gasoline – crude oil. For example, for the first 11 months of 2010, crude oil alone made up 68 percent

of the price to consumers at the gasoline pump. Refining the crude oil into gasoline and retailing added another 17 percent to the retail price of gasoline. Excise taxes accounted for 15 percent of the price of gasoline.

### Third Quarter 2010 Earnings by Industry (net income/sales)



Sources: Based on company filings with the federal government as reported by U.S. Census Bureau and *Oil Daily*.

#### Earnings: How do they compare?

It may seem surprising that oil and natural gas earnings are typically in line with the average of other major U.S. manufacturing industries. This fact is not well understood, however, in part because reports usually focus on only half the story – the profits that are earned.

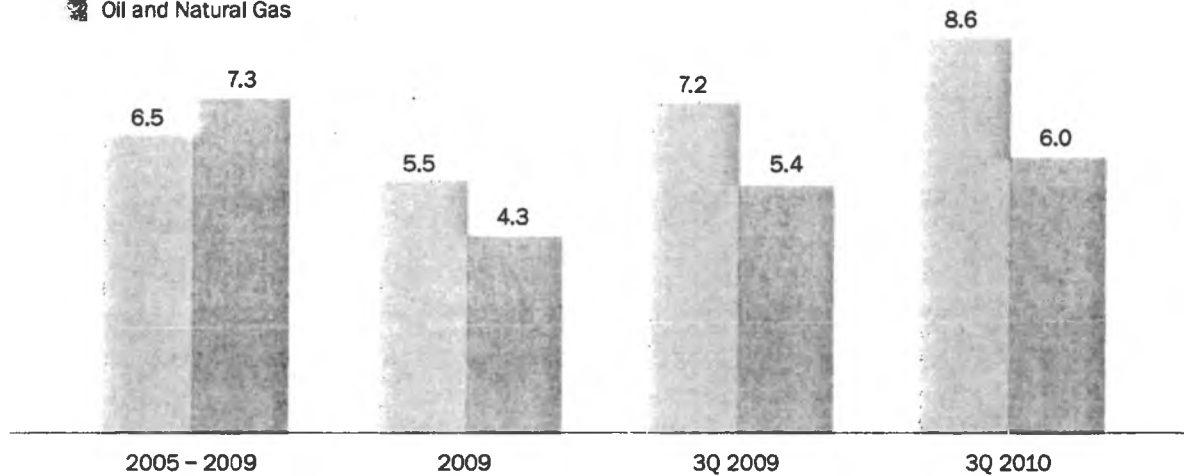
Profits reflect the size of an industry, but they're not necessarily a good reflection of financial performance.

Profit margins, or earnings per dollar of sales (measured as net income divided by sales), provide one useful way to compare financial performance among industries of all sizes.

The latest published data for third quarter 2010 shows the oil and natural gas industry earned 6 cents for every dollar of sales in comparison with all manufacturing, which earned 8.6 cents for every dollar of sales.

## Earnings (cents per dollar of sales)

■ All Manufacturing  
■ Oil and Natural Gas



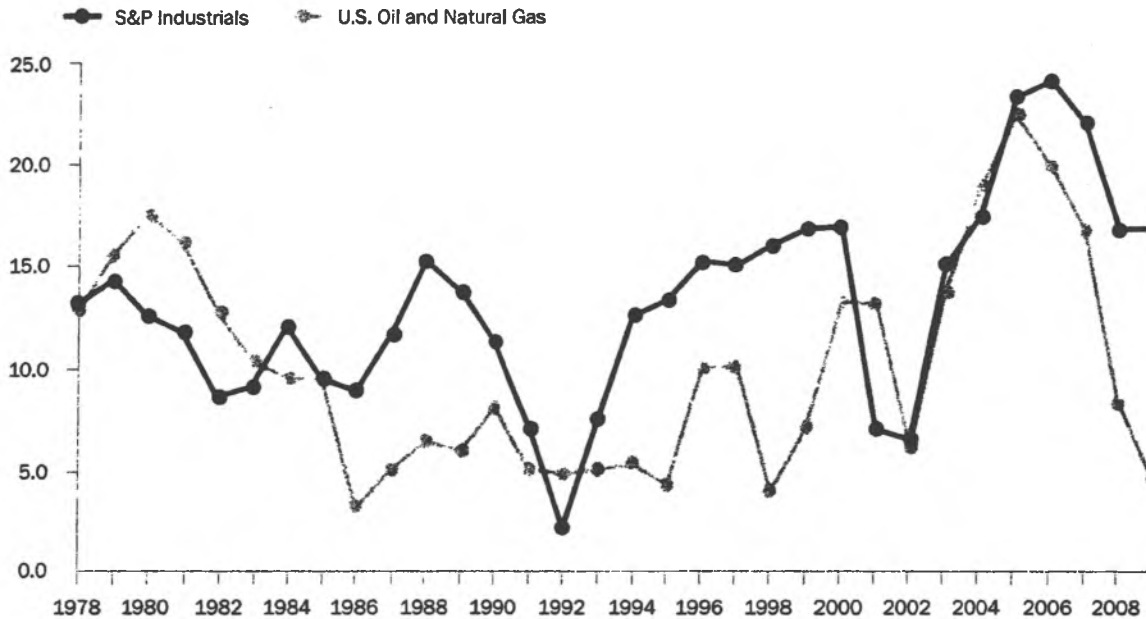
Source: U.S. Census Bureau for U.S. manufacturing and *Oil Daily* for the oil and natural gas industry.

### Earnings: Keeping America going strong.

Over the last five years, average earnings for the oil and natural gas industry have been well in line with the rest of the U.S. manufacturing industry, averaging about 7 cents for every dollar of sales. That average was just over 5 cents on the dollar for the oil and natural gas industry by the third quarter of 2009 as a result of the downturn of the U.S. economy. By the third quarter of 2010 earnings rebounded as the U.S. economy continued to recover.

Like other industries, the oil and natural gas industry strives to maintain a healthy earnings capability. It does so to remain competitive and to benefit its millions of shareholders, across the country and in all walks of life. Healthy earnings also allow the industry to invest in innovative technologies that improve our environment and increase production to keep America going strong – even as it leads the search for newer technologies, and new sources of energy that will provide a more secure tomorrow.

### Return on Investment (net income/net investment in place)



Source: EIA, *Performance Profiles of Major Energy Producers*, Table T1 (S&P 1978 – 2003; Oil and Natural Gas 1978 – 2008) and Standard & Poor's, Compustat North America Database, June 2010 update (S&P 2004 – 2009; Oil and Natural Gas 2009).

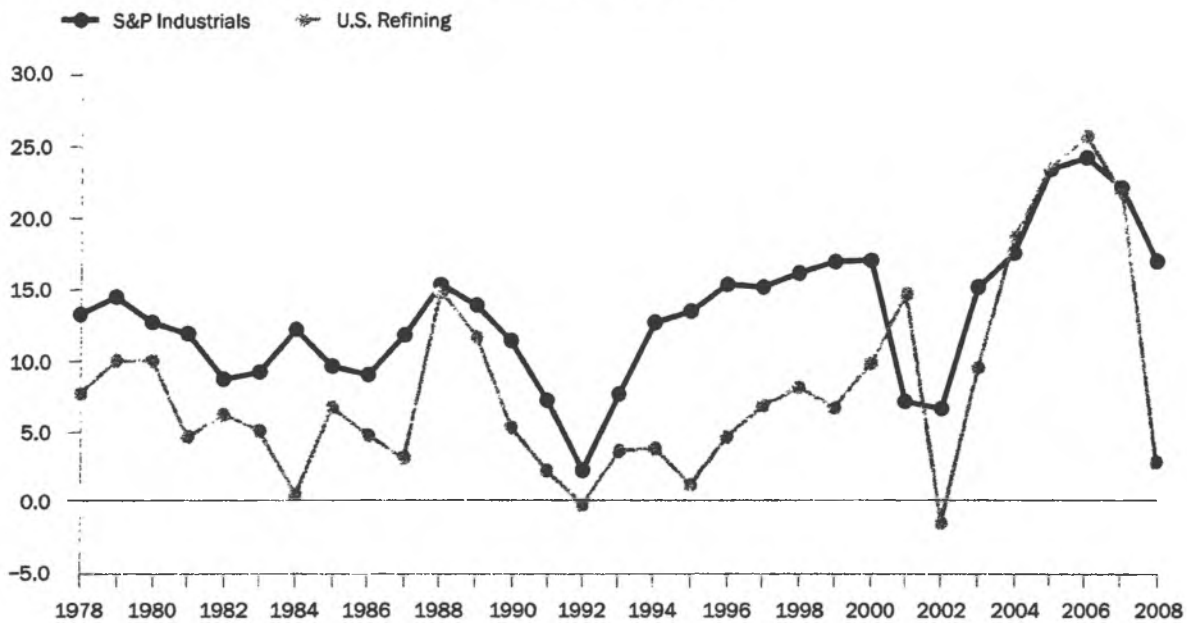
The return on investment for the industry turned sharply lower than the returns for the S&P Industrials during the recent downturn in the economy.

Because the oil and natural gas industry is massive and requires huge investments, its earnings contribute greatly to the American economy and way of life. They allow companies to reinvest in the facilities, infrastructure and new technologies that keep America going strong well into the future while generating returns that meet shareholders' expectations.

The oil and natural gas industry is probably one of the world's largest industries. Its revenues are large, but so are its costs of providing consumers with the energy they need. Among those are the cost of finding and producing oil and natural gas and the costs of refining, distributing and marketing it.

These costs remain huge, regardless of whether earnings are high or low – as was the case throughout most of the 1990s and during other industry downturns over the past five years, including the current one. The return on investment (net income/net investment in place) for the oil and natural gas industry has been sharply lower than the returns for the S&P industrials.

### Return on Investment (net income/net investment in place)



Source: EIA, Performance Profiles of Major Energy Producers, Table Cy 8 various issues and 2007 S&P figure compiled by PWC from Compustat data.

### Refining investments and returns.

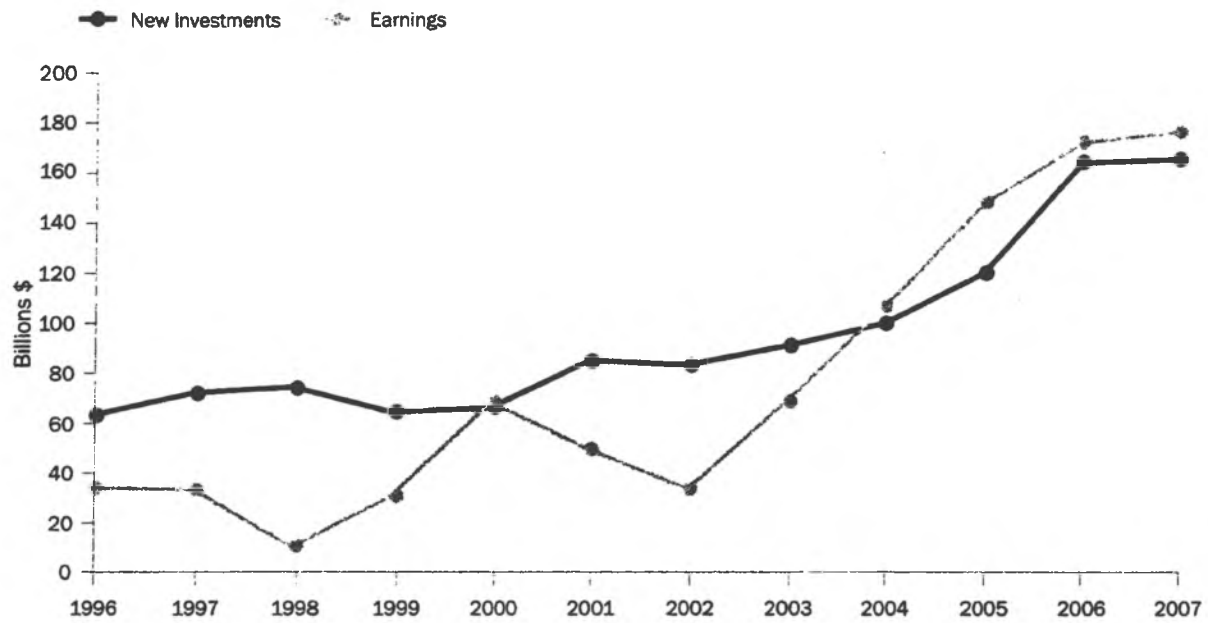
Investments in new capacity and improved technologies have enabled U.S. refiners to produce record amounts of fuels for consumers. However, for many years the rate of return on investment in U.S. refining lagged behind the returns for the S&P Industrial average. Refiners need to continually invest, and do so even when earnings are lower.

While no new refineries have been built since 1976, the industry has added the equivalent of one new average-sized refinery each year over the last decade. Since 1985, refining capacity has increased by 13 percent even though we have 73 fewer refineries. It has been more efficient to expand at existing refineries because the infrastructure to bring crude in and get products out is in

place, the permitting process is quicker, and it is more cost-effective to add on to a refinery versus building a new one. In addition, the elimination of subsidies under the government price and allocation controls in 1981 led to the closure of many smaller, less efficient refineries throughout the 1980s and 1990s.

Capacity has increased while at the same time, refineries invested \$108 billion since 1990 to make the cleanest burning fuels in the world. Much of the investments were in technologies to meet stringent clean air standards set by the Clean Air Act of 1990.

## Oil and Natural Gas New Investments and Earnings



Source: Ernst & Young.

How investments today  
pay off tomorrow.

Today's earnings are reinvested for tomorrow's energy needs. The energy Americans consume today comes from industry investments made years or even decades ago.

Between 1996 and 2007, the U.S. industry invested more than \$1.2 trillion in a range of long-term energy initiatives compared to net income or earnings of \$974 billion.<sup>1</sup>

<sup>1</sup> Net income is generally lower than cash flow due to deductions for past and current tangible investment and depletion of oil resources.

**Capital Spending (Where Funds Will Go for U.S. Projects)**

	<b>2010</b> (\$ million)	<b>% Change</b> 2010-2009	<b>2009</b> (\$ million)	<b>% Change</b> 2009-2008	<b>2008</b> (\$ million)
<b>Exploration/Production</b>					
Drilling/Exploration	162,703	0.5	161,961	-32.4	239,646
Production	30,914	0.5	30,773	-32.4	45,533
OCS Lease Bonus	2,050	155.9	801	-88.4	6,882
<b>Subtotal</b>	<b>195,667</b>	<b>1.1</b>	<b>193,535</b>	<b>-33.7</b>	<b>292,061</b>
<b>Other</b>					
Refining	5,300	-47.7	10,140	-22.0	13,000
Petrochemicals	80	60.0	50	-95.0	1,000
Marketing	2,730	40.0	1,950	-35.0	3,000
Crude and Products Pipelines	7,724	-15.2	9,104	105.5	4,431
Natural Gas Pipelines	2,584	-78.3	11,907	87.7	6,343
Other Transportation	950	13.1	840	-30.0	1,200
Mining, Other Energy	1,000	11.1	900	-25.0	1,200
Miscellaneous	4,000	6.7	3,750	-25.0	5,000
<b>Subtotal</b>	<b>24,368</b>	<b>-36.9</b>	<b>38,641</b>	<b>9.9</b>	<b>35,174</b>
<b>Total</b>	<b>220,035</b>	<b>-5.2</b>	<b>232,176</b>	<b>-29.0</b>	<b>327,235</b>

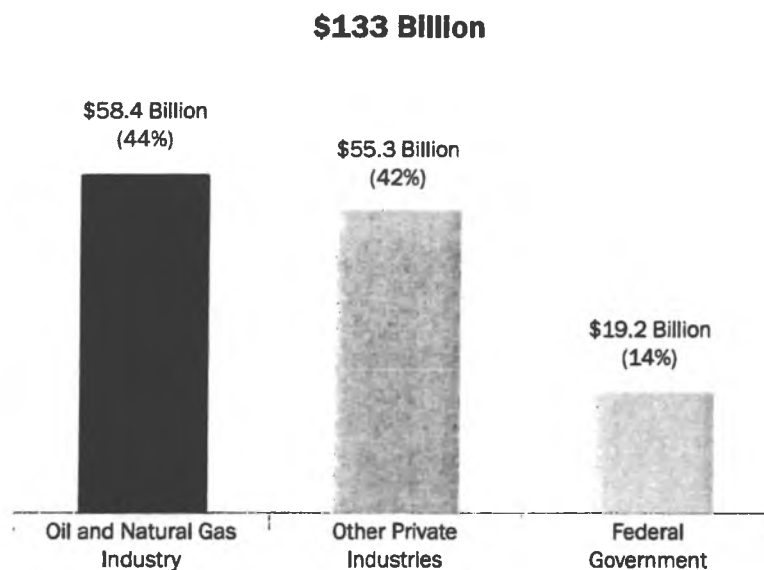
Source: *Oil & Gas Journal*, March 1, 2010.

To understand the oil and natural gas industry one must recognize it as an industry characterized by long lead times, massive capital requirements and returns realized only decades later in the face of very real investment risks.

Significant oil and gas discoveries that are announced today often result from investments begun by companies as far back as a decade or more ago. Since the year 2000, our industry invested over 1.7 trillion dollars in U.S. capital projects to meet the growing demand for oil and natural gas. However, the worldwide economic downturn, along with lower oil and natural gas prices and tight credit markets, have caused some oil and natural gas producers to cut their capital budget plans since 2008.

Planning and investment cannot be turned on and off like a spigot, without entailing huge, potentially non-recoverable costs and delaying urgently needed projects. Because the industry must plan and operate under these long lead times, it is hypersensitive to minimizing risk over the course of its investments. It is crucial for an industry that must manage such huge risks that government provide an energy policy and tax framework that encourages investment, rather than discourages it.

### Carbon Mitigation Investment by Investor Group (2000-2008)



Source: T2 & Associates and CEE, June 2009.

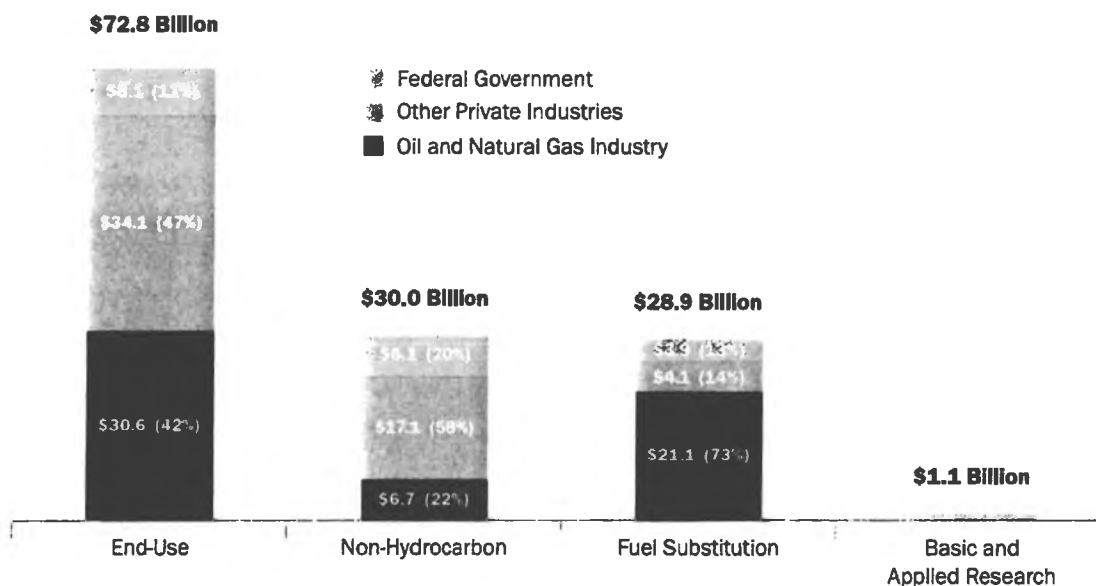
The U.S. oil and natural gas industry is spending billions of dollars developing new advanced energy technologies to reduce greenhouse gas emissions and meet future energy needs.

The oil and natural gas industry is hard at work meeting today's energy needs and developing next-generation forms of energy. Between 2000 and 2008, the industry invested more than \$58 billion in new low-and-zero emissions technologies. This represents 44 percent of the \$133 billion spent by all U.S. industries and the federal government combined. These large investments are critical to provide the low-carbon energy we will need in the years ahead.

U.S. oil and natural gas companies are pioneers in developing alternatives and expanding America's use of virtually every form of energy – from geothermal to wind, from solar to biofuels, from hydrogen power to the lithium ion battery for next-generation cars.

This industry is also at the forefront of developing "carbon capture and storage" technology, or CCS, to reduce carbon dioxide (CO<sub>2</sub>) emissions by storing them underground. In order for CCS to advance much more needs to be done. A legal and regulatory framework for long-term CO<sub>2</sub> storage is still lacking. The use of CCS would facilitate the continued use of our nation's vast coal and frontier hydrocarbon resources in an environmentally-friendly way.

## Carbon Mitigation Investments by Technology and Investor Group (2000-2008)



Source: T2 & Associates and CEE, June 2009.

Oil and natural gas companies are taking action now to reduce greenhouse gas emissions and investing in the technologies and fuels that will reduce them even more in the future.

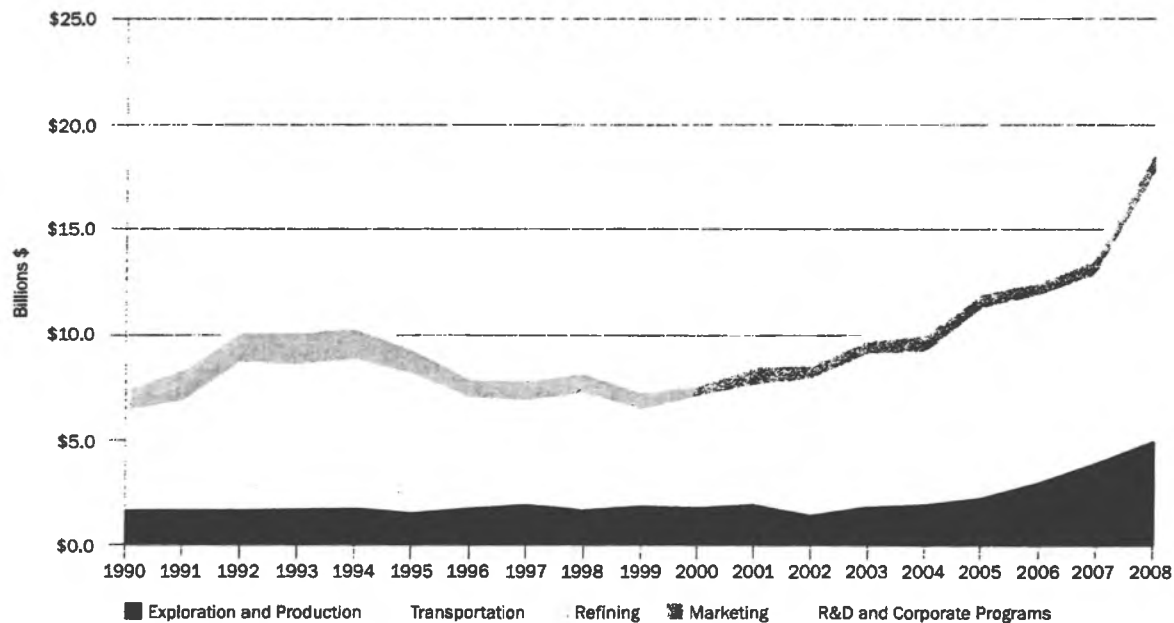
**End-Use:** America's oil and natural gas companies are investing in efficiency improvements and alternatives and are advising companies in other industrial sectors how to use energy more efficiently. Through such end-use technologies as combined heat and power – using excess heat from refinery processes to produce additional energy – refiners are becoming more energy efficient, reducing both energy use and emissions. In one year alone, the energy savings from improving refinery energy efficiency was equivalent to taking over half a million cars off the road.

Between 2000 and 2008 the industry invested over \$30 billion in end-use technologies, including advanced technology vehicles, efficiency improvements, combined heat and power, gas flare reduction technologies and carbon capture and sequestration. This represents approximately 42 percent of all the investments made in these technologies in North America.

**Non-hydrocarbon:** We are a major provider of the green jobs that are in the news today. The oil and natural gas industry accounts for 22 percent of all the investments made in North America in non-hydrocarbon fuels since 2000. The industry's top investments are in wind and biofuels. Expenditures were also made in solar, geothermal, and landfill digester gas.

**Fuel Substitution:** The oil and natural gas industry has spent over \$21 billion developing substitute and less carbon intensive fuels, such as liquefied natural gas and reducing methane fugitive emissions. This investment in fuel substitution technologies represents 73 percent of the total invested in this technology class.

### U.S. Environmental Expenditures since 1990 (by sector\*)



\* Remediation & Spills expenditures are included in the sector numbers and are reported data only. The remaining sector expenditures are estimated for the entire industry.

Source: API Statistics, Environmental Expenditures by Oil and Gas Industry, February 2010.

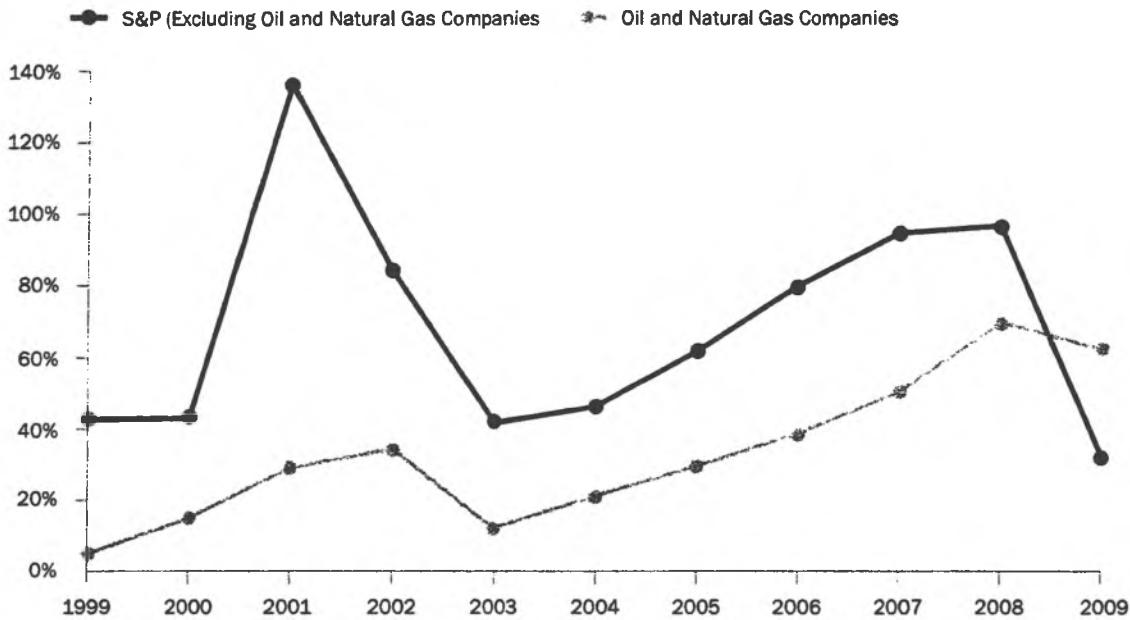
Decades of investments of hundreds of billions of dollars have been made by the oil and natural gas industry to protect the environment and improve the performance of its products, facilities and operations.

The U.S. oil and natural gas industry has invested \$194 billion since 1990 toward improving the environmental performance of its products, facilities and operations; \$639 for every man, woman and child in the United States.<sup>2</sup>

In the year 2008 alone, \$19 billion was spent on the environment; \$17.4 billion was spent implementing new technologies, creating cleaner fuels and funding ongoing environmental initiatives. An additional \$1.9 billion went toward research and development, corporate environmental programs and spill remediation efforts.

<sup>2</sup> Based on 2008 U.S. population estimate of 304.1 million by U.S. Census Bureau.

## Stock Repurchases as a Share of Net Income



Source: Compustat North America Database, June 2010 update.

### Adding value for shareholders.

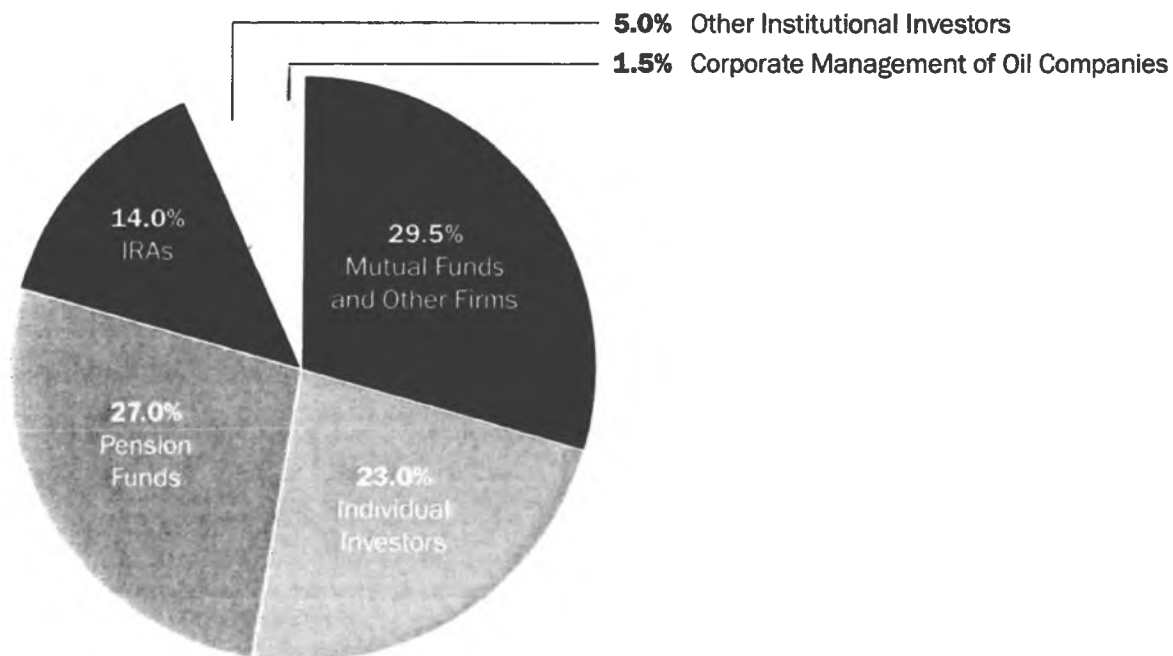
The oil and natural gas industry is very capital intensive and devotes the largest share of its earnings to add new property, plant and equipment to its upstream and downstream operations.

When companies repurchase stock, they are supporting the equity value of the company. This in turn helps the owners of the companies – retirees, future retirees and millions of Americans who have invested their earnings in a secure future.

It is the responsibility of company officials to build value for shareholders; one way to do this is through stock repurchases. Earnings are also used for paying dividends which additionally benefit shareholders.

While the share of stock repurchases in the oil and gas industry has increased in recent years, it has averaged nearly half of that for the S&P industrial group. For the last 11 years, the oil and gas industry spent 39 percent of net income on stock repurchases while the rate for the S&P industrials was 65 percent.

### Who Owns "Big Oil?" (Holdings of Oil Stocks, 2007)



Source: *The Distribution of Ownership of U.S. Oil and Natural Gas Companies*, SONECON, September 2007.

### Who owns "Big Oil"?

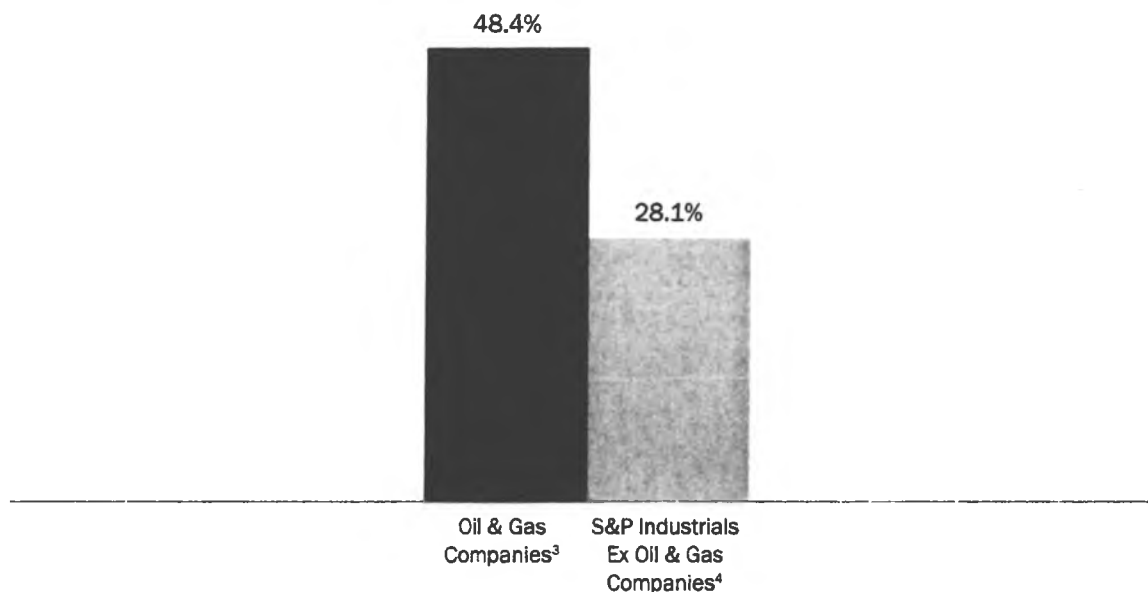
Contrary to popular belief, and what some politicians might say, America's oil companies aren't owned just by a small group of insiders. Only 1.5 percent of industry shares are owned by corporate management. The rest is owned by tens of millions of Americans, many of them middle class.

If you're wondering who owns Big Oil, chances are good the answer is "you do." If you have a mutual fund account, and 55 million U.S. households do, there's

a good chance it invests in oil and natural gas stocks. If you have an IRA or personal retirement account, and 45 million U.S. households do, there's a good chance it invests in energy stocks.

When politicians talk about taxing "Big Oil" or taking their "record profits," they should think about who would they really be hurting.

### Income Tax Expenses as Share of Net Income Before Income Taxes (2009)



Source: Compustat North America Database (January 2010 update).

**U.S. oil and natural gas companies pay considerably more in taxes than the average manufacturing company.**

An important part of the revenue earned by U.S. oil and natural gas companies goes to taxes. The industry's 2009 income tax expenses (as a share of net income before income taxes) averaged 48.4 percent, compared to 28.1 percent for the S&P Industrial companies.

As one would expect with such a high effective rate, the U.S. oil and natural gas industry pays a substantial amount in income tax. According to EIA, during the three-year period from 2006-2008, the major energy producing companies paid or incurred over \$280 billion of income tax expense.<sup>5</sup>

<sup>3</sup> Oil and gas extraction (NAICS 211) and petroleum refining (NAICS 32411).

<sup>4</sup> Excludes companies engaged in oil and gas extraction (NAICS 211) and petroleum refining (NAICS 32411).

<sup>5</sup> Energy Information Administration, *2008 Performance Profiles of Major Energy Producers*, December 2009. These 27 companies accounted for 41 percent of the total U.S. crude and NGL production, 43 percent of natural gas production, 77 percent of U.S. refining capacity and 0.2 percent of U.S. electricity. These companies include: Alenco, Anadarko Petroleum, Apache, BP America, Chesapeake Energy, Chevron, CITGO Petroleum, ConocoPhillips, Devon Energy, El Paso, EOG Resources, Equitable Resources, ExxonMobil, Hess, Hovensa, Lyondell Chemical, Marathon Oil, Motiva Enterprises, Occidental Petroleum, Shell Oil, Sunoco, Tesoro Petroleum, The Williams Companies, Total Holding USA, Valero Energy, WRB Refining, XTO Energy.

For more information, please visit

[www.energytomorrow.org](http://www.energytomorrow.org)

[www.api.org](http://www.api.org)



AMERICAN PETROLEUM INSTITUTE

*Apache*

**JOHN R. BEDINGFIELD**

*Vice President - Worldwide Exploration  
and New Ventures*

WWW.APACHECORP.COM

DIRECT (713)296-6416

FAX (713)296-6451

**March 8, 2011**

**The Honorable Eric Feige, Co-Chair  
The Honorable Paul Seaton, Co-Chair  
House Resources Committee  
Alaska State House of Representatives  
State Capital  
Juneau, Alaska 99801-1182**

**Dear Chairmen Feige and Seaton:**

Thank you for the invitation to appear before the Alaska State House Resources Committee to offer testimony regarding our company and comment on the proposed oil and gas tax legislation before you. I regret I am unable to appear before you personally. I hope you find the comments we provide useful in your deliberations and would entertain any questions my testimony may generate.

#### **Company Background**

Established in 1954, Apache Corporation (Apache) has grown to become one of the world's top independent oil and gas exploration and production companies with over \$29 billion in assets. In August 2010 Apache acquired almost 200,000 acres of State oil and gas leases in Cook Inlet primarily from Daniel Donkel and Samuel Cade. Since then Apache has picked up additional acreage from the Alaska Mental Health Trust bringing our Cook Inlet acreage to approximately 300,000 acres. The attached map shows the Apache acreage highlighted in yellow.

#### **Investment Decisions**

In making decisions on investments there are a number of criteria Apache takes into consideration. Specifically when we looked at Alaska what made investment attractive is that it has been sparsely explored and new technology will help find new reserves that can be produced more efficiently. Another factor is the percent of profit available on a barrel of oil after taxes, royalty and costs. There are incentives available in Cook Inlet as well as the tax structure makes it attractive. Conversely, the North Slope is expensive due to the operating environment and a different tax structure.

### Cook Inlet Exploration

Apache's objective in acquiring the Cook Inlet leases is to explore for oil. Permit applications were submitted in November 2010 to conduct a 2D seismic technology test using a new Nodal technology. All the necessary permits were issued earlier this week with the seismic work to be completed in March 2011 in Cook Inlet's West Forelands. Apache has begun conversations with the stakeholder groups and regulatory agencies about the 3D seismic program to commence in the fall 2011. We will spend approximately one year doing seismic exploration on the Apache leases that stretch from Wasilla to Anchor Point. After analysis of the seismic data we will then be in a position to determine where to undertake exploratory drilling.

One of the many questions Apache has been asked is why are we interested in Cook Inlet. With the discovery of oil on the North Slope in the late 1960's the companies that were operating in Cook Inlet moved north. We believe there is significant untapped oil potential in the region and the incentives offered by the State of Alaska are attractive. Those two reasons compound with a skilled workforce and stable government make Cook Inlet attractive.

### Alaska Oil and Gas Tax Structure

In addition to looking for acreage in Cook Inlet, Apache has examined opportunities to make investments on the North Slope. We have made the decision to focus our efforts in Cook Inlet for now in part due to the oil and gas tax structure embedded in the North Slope fields. Specific areas of concern include:

- High tax rate
- The progressivity surcharge
- Lack of incentives and tax credits

The base tax rate for the North Slope is 25%. Governor Sean Parnell's House Bill 110 proposed to lower this rate to 15% for areas outside of current fields or units not in commercial production prior to December 31, 2010. This is a step in the right direction to encourage companies, like Apache, to invest.

There are a number of issues surrounding the progressivity surcharge. One, it is regressive. Once a company makes more than \$30 barrel the company is charged at the 25% tax rate PLUS they are charged for every single dollar over the \$30, a form of double taxation.

Chairmen Feige and Seaton  
Page Three

Governor Parnell's proposal for capping the progressivity tax at 50% rather than the current 75% provides some of the uplift needed to encourage companies to take the risk. Also proposed is moving to an annual calculation versus today's monthly calculation. An annual calculation synchronizing revenues with expenses would more accurately reflect the philosophy behind the progressivity feature.

If incentives are going to be provided then it should apply to all new oil associated with new field development and exploration. Equally it should apply to new oil arising from existing producing fields using in-field drilling, secondary recovery and tertiary recovery techniques. Apache would encourage you to include incentives for all new oil.

In May 2010 the Cook Inlet Recovery Act included tax credits to incentivize and encourage further exploration. Apache would encourage the Alaska State Legislature to apply these same credits to all regions undertaking oil and gas exploration and development in Alaska.

Again, I apologize that I am unable to attend your hearing in person. Should you have questions please feel free to contact me.

Sincerely yours,



John R. Bedingfield  
Vice President, Worldwide Exploration and New Ventures  
APACHE CORPORATION

My name is Phil Kromm.

I am a 15 year line haul driver from Fairbanks with Carlile Transportation. We have 650 employees with families. I also work in safety, recruitment, training and driver retention. My home is in Fairbanks along with my wife, a 6 and 3 yr old sons.

When I am driving my 18 wheeler it is usually on the Haul Road taking goods to the slope. We are a carrier that moves all types of goods. I love my job and am excited to have the opportunity to share with you some of my thoughts and concerns about the situation Alaska, our local companies and people are in right now.

I have firsthand knowledge of the work slow down on the North Slope and the effects it has on us all. The volume of business that was there a few years ago has declined, significantly.

It is obvious there is less pipe going up the road. Specifically less drill stem which is used for exploration. There is also a considerable reduction in loads of construction supplies. When I say construction supplies I am talking about everything from lumber provided by Spenard Builders Supply to heavy equipment from Construction Machinery. These items are just not moving – and it is not just Carlile that is feeling the pain, it is all of the oil and gas providers and contractors. And if you think just because you work for a non oil and gas provider you are not feeling the pain – that is simply not true. When my paycheck isn't as large as it was, something has to give. That is probably going to be less trips to the local

coffee stand or dinner out with my family. If you are in Alaska, you are feeling the pain.

Here is another example; Carlile hires about 30 additional people in Prudhoe over the winter, just to move stuff around between the fields on the slope. The last couple of years – no additional folks hired for the slope. The work just isn't there – that is 30 families without a job, just at Carlile alone. That is a significant loss when you start adding it up.

The guys and gals that do still have a job are just scraping by as over-time is almost nonexistent. The work that was there in the past isn't available. Drivers are looking for loads to make a paycheck. We have personally seen drivers that can't stay busy enough here and have left for work in other places. Right now, the Dakotas are a big draw for drivers. It's less expensive to live there, the jobs pay well and they can stay busy. Alaska is losing jobs and good employees, because business is declining!

Conversations on the road are less about planning a vacation and enjoying their free time and are more about higher cost of living accompanied with how to make ends meet accompanied with talk about fewer loads, less traffic, less drivers, less money and most of all, a nervous sense about the future of our state. Alaska need to be competitive in-order to keep our workforce here, create opportunities for jobs and keep investment circulating here at home. My fellow drivers and I want to stay busy, we want to haul drill pipe, we look forward to the ice roads season and it's exciting to see a new man camp being moved up to the Slope – not moved off the slope to take to North Dakota. With your help and cooperation development and stable investment climate can happen.

Please do it – for Alaska.

Thank you for taking the time to hear from me on this important issue.



January 28 2011

The Honorable Sean Parnell  
Governor, State of Alaska  
Alaska Capitol Building, Third Floor  
P.O. Box 110001  
Juneau, AK 99811-0001

Re: B No. 49 and HB No. 110

Dear Governor,

Thank you and the Administration for stepping into the lead to make Alaska a more exploration and production friendly place to do business. I have read the subject bills, but before I comment on them, I'd like to introduce UltraStar. I know you are quite familiar with the principals in UltraStar, but some of the copied recipients of this letter may not know us as well as you, so I beg your indulgence to write a paragraph about our little company.

UltraStar was formed in 2001 by Dale Lindsey of Seward, John Winther of Petersburg, and me. Dale was born and raised in Seward, and he and his widow, Carol, built a small fuel delivery service into the largest marine and land fuel distributor in the State. John was born in Fairbanks, raised in Juneau, and now lives in Petersburg, from where he manages a fleet of longliner vessels that fish cod and black cod in the Bering Sea and Gulf of Alaska. I was born and raised in the oilfields of Wyoming, and worked in project engineering, construction, and operations and executive management for ARCO for 30 years, 20 of which were spent working in various capacities on Prudhoe Bay, Kuparuk, Lisburne, Pt. McIntyre and West Sak. I moved my family to Anchorage in 1985. UltraStar's business plan is to acquire North Slope Leases close to existing infrastructure, develop projects on the leases, and prove up commercial reservoirs with the drill bit. To my knowledge, we are the only 100% Alaskan owned company that has drilled wells on the North Slope. We have another well and sidetrack planned for the first quarter of next year.

I am pleased to add UltraStar's name to the growing list of independents that support your efforts to change ACES. We firmly support both SB 49 and HB 110. Both not only lower marginal tax rates, but eliminate the requirement that credits be paid over a two year period, which goes a long way toward "leveling the playing field" for start-up companies like ours with no current production.

3111 C Street, Suite 500  
Anchorage, Alaska 99503

907-258-2969  
Fax: 907-258-5092

---

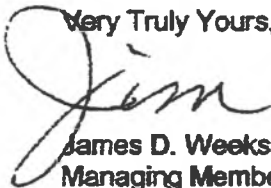
As much as we like the direction these pieces of legislation are going, we feel that if ACES is going to be re-opened, one other issue should be addressed, and that is the Small Producer Credit. This is a credit of \$12 million per year for companies producing less than 50,000 barrels of oil equivalent per day, and is due to sunset in 2016. My suggestion is to recognize the lead times associated with finding, developing and producing reserves on the North Slope, and extend that sunset date. First, we must acquire leases, then seismic, then evaluate the seismic and develop drillable prospects. If the drilling finds commercial quantities of oil, then facility access terms and conditions need to be negotiated and established with the owners of the likely production facility where the oil, gas and water will be processed, and roads will likely need to be built and the well(s) need to be connected to that facility. If the commercial accumulation is large enough, stand alone facilities may be a more appropriate approach to get production on line. Finally, some how or another, production can commence, and the cash flow meter can start (hopefully) turning the other way, or at least slow down. Unfortunately, UltraStar has yet discovered commercial oil, but it has taken an average of 6 years per well to get to the point where we were drilling.

Rather than have a specific year when the Small Producer Credit provision expires, I recommend that it stay in place for each reservoir or unit until payout of the exploration, delineation and development costs necessary to get oil flowing. I believe this would be a much stronger incentive than a date certain year. New leases acquired last year have no chance of realizing this credit.

Lastly, it mystifies me why some in the Legislature want to take all the precious time in this short session having studies done to determine the competitiveness of Alaska. The major producers have had those studies done, probably by the same consultants the Legislature would use, and the answer given to the Legislature by the same consultants will be the same as the conclusions given to the major producers—Alaska is DEAD LAST in the world. I can't speak for the major producers, but my guess that any one or all of them will be willing to share the details of the studies they commissioned with any Legislator who has an interest.

Thanks again for jumping out front on this issue that is so important for jobs and stabilized oil production in the State.

Very Truly Yours,



James D. Weeks  
Managing Member

Distribution: Page 3

---

**From:** Ed Kerr [ed@armstrongoilandgas.com]  
**Sent:** Thursday, February 17, 2011 9:13 AM  
**To:** Louie Flora; Linda Hay  
**Subject:** HB 110

**Categories:** Red Category

**TO: The Honorable Paul Seaton, Co-Chair of the House Resources Committee**  
**The Honorable Eric Feige, Co-Chair of the House Resources Committee**

**Dear Chairmen:**

Thank you for the opportunity to address the House Resources Committee regarding HB 110 and the potential impact on our Alaska Operations. Due to prior commitments I am sorry that I cannot address the committee in person. I hope to visit with each of the committee members individually during this session to express my support for HB 110.

HB 110 will have a significant impact on our capital expenditures and future activities in Alaska. The improved fiscal terms as proposed by HB 110, particularly the portions of the bill that apply to activities outside of existing units, will give us the needed incentive to not only drill multiple new wildcat and delineation wells, but the motivation to drive certain projects to development. The future of Alaska lies in the development of its oil and gas resources that have laid dormant for too long. HB 110 will be the catalyst to bring forward the development of a vast resource base that has not been developed due to date.

Armstrong Oil & Gas, Inc. and it's affiliated companies have been one of the prime movers in generating new projects on the North Slope. The two most recent projects that have been developed on the North Slope are the Ooguruk field operated by Pioneer Natural Resources and the Nikaitchuq field operated by ENI. These projects were originated by our company. Currently, through our affiliate 70 & 148, LLC, we are one of the largest leaseholders on the North Slope.

Our project list has more than a dozen ideas outside of existing producing units that we are hoping to drill and test over the next

several years. If successful, these new projects will add much needed new oil production through TAPS as well as provide numerous significant high paying jobs for Alaskans. In many cases we know the oil is in place. The improved fiscal terms as provided in HB 110 will greatly affect whether these projects will get developed.

Please do not hesitate to contact me if you have any questions.

**Ed Kerr**  
**Vice President of Land and**  
**Business Development**  
**(t) 303 623-1821**  
**(f) 303 623-3019**

**CONFIDENTIALITY NOTICE:** The information contained in this message is for the exclusive use of the addressee and may contain confidential, privileged and non-disclosable information. If the recipient of this message is not the addressee, or a person responsible for delivering this message to the addressee, the recipient is strictly prohibited from reading, downloading, photocopying, distributing or otherwise using this message, its contents or attachments in any way. If you have received this message in error, please notify Ed Kerr immediately by replying to this e-mail and delete the message from your mailbox. Thank you.

**Linda Hay**

---

**From:** jwinegarner@brpcak.com  
**Sent:** Wednesday, March 02, 2011 1:28 PM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Mr James Winegarner  
510 L Street  
Suite 601  
Anchorage, AK 99501-1959

3/2/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

Sincerely,

Mr James Winegarner

**Linda Hay**

---

**From:** jeffb@northstarak.com  
**Sent:** Wednesday, March 02, 2011 10:51 AM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Mr jeff Bentz  
P.O. Box 877215  
Wasilla, AK 99687-7215

3/2/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

Sincerely,

Mr jeff Bentz

**Linda Hay**

---

**From:** bryand@northstarak.com  
**Sent:** Wednesday, March 02, 2011 9:47 AM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Bryan Davis  
5030 E BrumageDr.  
Wasilla, AK 99654-8620

3/2/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

Sincerely,

Bryan Davis

**Linda Hay**

---

**From:** part@ak.net  
**Sent:** Wednesday, March 02, 2011 9:29 AM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Mrs Peggy Spittler  
3320 admiralty bay drive  
Anchorage, AK 99515-2374

3/2/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process. I hope it moves as quickly through the senate. This is more critical to Alaska's future than anything else you are working on this session.

Peggy Spittler  
Anchorage

Sincerely,

Mrs Peggy Spittler

**Linda Hay**

---

**From:** CaptainRick@ak.net  
**Sent:** Wednesday, March 02, 2011 9:01 AM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Mr Captain Rick Ameline  
3002 Wendys Way  
Anchorage, AK 99517-1404

3/2/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

Sincerely,

Mr Captain Rick Ameline

**Linda Hay**

---

**From:** cbecker39@yahoo.com  
**Sent:** Tuesday, March 01, 2011 8:32 PM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Mr. Chuck Becker  
2621 Kelsan Cir.  
Anchorage, AK 99508-4053

3/2/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

Sincerely,

Mr. Chuck Becker

**Linda Hay**

---

**From:** Bridgewater@fdifairbanks.com  
**Sent:** Tuesday, March 01, 2011 3:55 PM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Buzzy Chiu  
204 Front St.  
Fairbanks, AK 99701-3145

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

This bill is so important to the future economic development of our great state. We must act now!

Thanks again!

Sincerely,

Buzzy Chiu

**Linda Hay**

---

**From:** cyndi@tecpro.com  
**Sent:** Tuesday, March 01, 2011 3:20 PM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Mrs Cynthia Saunders  
6400 Woodmont Drive  
Anchorage, AK 99516-1890

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

Sincerely,

Mrs Cynthia Saunders

**Linda Hay**

---

**From:** genem@trailercraft.com  
**Sent:** Tuesday, March 01, 2011 2:40 PM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Gene Mountcastle  
1301 E. 64th  
Anchorage, AK 99518-1908

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

Sincerely,

Gene Mountcastle

**Linda Hay**

---

**From:** KHALL@ltia.lynden.com  
**Sent:** Tuesday, March 01, 2011 2:29 PM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Ken Hall  
2506 Kuskokwim  
Fairbanks, AK 99709-4818

3/1/2011

Dear Representative Feige:

A couple weeks ago I sent a message to a number of you that we needed to address the ACES tax issue in Alaska. I was please to learn that there was action taken that will help in moving HB110 forward.

Thanks  
Ken Hall

Sincerely,

Ken Hall

**Linda Hay**

---

**From:** wes.nason@ch2m.com  
**Sent:** Tuesday, March 01, 2011 2:08 PM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Wesley P Nason  
2175 Arcadia Drive  
Anchorage, AK 99517-1339

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

With new projects in existing fields pretty much dried up, my employer's business is off drastically from pre-ACES days. Please continue to move this important tax revision forward.

Sincerely,

Wesley P Nason

**Linda Hay**

---

**From:** blawer@FNBAAlaska.com  
**Sent:** Tuesday, March 01, 2011 2:04 PM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Mrs. Betsy Lawer  
1273 Bannister Drive  
Anchorage, AK 99508-3923

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

Sincerely,

Mrs. Betsy Lawer

**Linda Hay**

---

**From:** sstewart@arcticcontrols.com  
**Sent:** Tuesday, March 01, 2011 2:02 PM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Mr. Scott Allan Stewart  
3601 Burl Court  
Anchorage, AK 99504-3901

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

Sincerely,

Mr. Scott Allan Stewart

**Linda Hay**

---

**From:** patrickwalsh@peakalaska.com  
**Sent:** Tuesday, March 01, 2011 1:54 PM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Patrick Walsh  
2525 C Street  
Suite 201  
Anchorage, AK 99503-2632

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. I appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process. I firmly believe HB 110 is a step in the right direction to make our State competitive in an ever changing global market. If you have specific questions for me regarding our current business outlook on the North Slope I would be more than happy to spend the time explaining our position.

Sincerely,

Patrick Walsh

**Linda Hay**

---

**From:** pmacksey@steelfabak.com  
**Sent:** Tuesday, March 01, 2011 1:48 PM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Peter Macksey  
1539 west 14th avenue  
Anchorage, AK 99501-4929

3/1/2011

Dear Representative Feige:

Fellow Alaskans I am pleased that you have the forethought to move this bill out of committee. The pressure to pound every last dime out of the oil company's I know is intense. But for the last week repetitively the news paper has been touting the amount of movie interest we are receiving since we became the most tax adventagious state in the union. As we have quit looking for oil on the north slope for the secound year, I hope you can convince your colleagues to join you and pass this bill this session. I only wish that it rivaled the movie bill.

Sincerely,

Peter Macksey

**Linda Hay**

---

**From:** ed.gohr@deltaleasing.net  
**Sent:** Tuesday, March 01, 2011 1:39 PM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Ed Gohr  
8826 Sahalee Drive  
Anchorage, AK 99507-4388

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

Sincerely,

Ed Gohr

**Linda Hay**

---

**From:** lonw@thewilsonagency.com  
**Sent:** Tuesday, March 01, 2011 1:29 PM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Mr. Lon G Wilson  
4240 Tahoe Dr.  
Anchorage, AK 99502-1460

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

Sincerely,

Mr. Lon G Wilson

**Linda Hay**

---

**From:** thendrix@carlile.biz  
**Sent:** Tuesday, March 01, 2011 1:07 PM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Mr Tom William Hendrix Jr  
11034  
East John Henry Circle  
Palmer, AK 99645

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

Sincerely,

Mr Tom William Hendrix Jr

**Linda Hay**

---

**From:** sbyerly@aspenhotelsak.com  
**Sent:** Tuesday, March 01, 2011 12:53 PM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Mrs. Serena Sevener-Byerly  
326 Binkley Circle  
Soldotna, AK 99669-8058

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process. Keep up the GREAT work and enjoy the rest of your day!

Sincerely,

Serena Sevener-Byerly  
General Manager  
Aspen Hotel Soldotna  
[sbyerly@aspenhotelsak.com](mailto:sbyerly@aspenhotelsak.com)

Sincerely,

Mrs. Serena Sevener-Byerly

**Linda Hay**

---

**From:** ramseysmiles@yahoo.com  
**Sent:** Tuesday, March 01, 2011 12:52 PM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Ms. Judy Ramsey  
9700 Morningside Loop  
#206  
Anchorage, AK 99515-4266

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

Sincerely,

Ms. Judy Ramsey

**Linda Hay**

---

**From:** stokes@gci.net  
**Sent:** Tuesday, March 01, 2011 12:31 PM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Pete Stokes  
3521 Andree Dr. #A  
Anchorage, AK 99517-2338

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

Sincerely,

Pete Stokes

**Linda Hay**

---

**From:** jdoyle@lrs-ak.com  
**Sent:** Tuesday, March 01, 2011 12:16 PM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Jeff Doyle  
2600 St. Elias Dr.  
Anchorage, AK 99517-1275

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

Sincerely,

Jeff Doyle

**Linda Hay**

---

**From:** sorr@spartanak.com  
**Sent:** Tuesday, March 01, 2011 12:08 PM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

Susanna Orr  
6458 Barclay Court  
Anchorage, AK 99504-4413

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

Sincerely,

Susanna Orr

**Linda Hay**

---

**From:** rlogan@alaskaalliance.com  
**Sent:** Tuesday, March 01, 2011 11:28 AM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

**Categories:** Linda

Rebecca Logan  
1110 E. 112th  
#10  
Anchorage, AK 99515-3089

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

Sincerely,

Rebecca Logan

**Linda Hay**

---

**From:** anorthcutt@alaskaalliance.com  
**Sent:** Tuesday, March 01, 2011 11:25 AM  
**To:** Rep. Eric Feige  
**Subject:** HB 110 - Passage from House Resources Committee

**Categories:** Linda

Ann Northcutt  
8520 Boundary Ave F1  
Anchorage, AK 99504-1463

3/1/2011

Dear Representative Feige:

Thank you for passing HB 110 from the House Resources Committee. We appreciate the attention you've given to this issue and your work to move this bill from Committee and through the process.

Sincerely,

Ann Northcutt