February 20, 2013

Senator Cathy Giesse1
The Alaska State Legislature Senate
State Capital Room 427
Juneau, AK 99801

Re: Senate Bill 21

Dear Chairperson Giesse,

Thank you for the opportunity to testify to the Senate Resources Committee concerning Senate Bill 21. I would like to commend your committee on its diligence in assessing the key issues surrounding increasing activity and production on the North Slope of Alaska.

70 & 148, LLC (hereinafter referred to as "Armstrong") is a strong supporter of Governor Parnell's Senate Bill 21 and his efforts to increase production on the North Slope. Armstrong supports the Governor's proposal to offer a more equitable tax policy for the legacy fields as this will provide the quickest new barrels on the North Slope, however as we are not a working interest owner in any legacy field, we feel it is inappropriate for us to comment on this portion of the bill.

We do feel that the bill does need some modifications in order to place Alaska in a more competitive position relative to the rest of the U.S. and other producing provinces around the world. As such we would recommend the following modifications:

1. Keep the Qualified Capital Expenditure Credit and the cash purchase of the same in place until January 1, 2015. This will allow those projects that are based on a business plan that incorporates this concept time to transition more smoothly to the new system.

2. Extend the ability to utilize the Loss Carry Forward Credit from ten (10) years to fifteen (15) years. We believe this is very important given how long it takes to: a) sanction a project for development, b) successfully drill and complete wells on the North Slope and c) bring production on line.

3. Increase the Gross Revenue Exclusion for new fields from twenty percent (20%) to twenty five percent (25%). This will assist new entrants economics in overcoming the high costs and long lead times associated with getting a new project sanctioned.

Please note we believe that this is the minimum the legislature should do to incentivize new production on the North Slope. The activity level on the North Slope will be driven by the oil and gas production tax and ease of permitting for projects. Further any accommodation made for
new field development will result in a gain in revenue for the state as currently the state is receiving no revenue in these areas.

Armstrong thanks you for the opportunity to comment on Senate Bill 21. We look forward to the passage of meaningful tax reform which will pave the way for us and our partner to work towards sanctioning developments which will boost the state's revenue, increase the life of TAPS and provide high paying jobs for Alaskans.

Yours truly,

[Signature]

William D. Armstrong
President