April 2, 2013

The Honorable Eric Feige
House of Representatives
Alaska State Capitol
Juneau, Alaska 99801

Dear Representative Feige,

Please consider this letter our testimony regarding HCS CSSB21(RES).

As we stated in our testimony before your committee on March 27, Pioneer supports the Governor’s four key principals regarding any new oil policy. If we could add one editorial, it would be that any policy should seek to make as many types of development projects as attractive as possible to new investment.

Pioneer has spent over $1 billion in Alaska since 2002, produced over 12 million barrels of oil and employs hundreds of Alaskans in our operations. Our company is trying to build our business in Alaska. The Nuna project which we’ve discussed is currently under evaluation and expected to be brought forward to a sanction decision this fall. Nuna would produce new oil through TAPS with first oil projected in the short term. However, the current bill as it stands before the committee does not help our current funding request as the contemplated tax regime makes this new project less attractive than under ACES when viewed as a stand-alone incremental investment project.

The current bill has come a long way since its first introduction, but has some way to go to ensure an attractive and durable fiscal system. Pioneer advocates for the following changes to the bill:

1. **Extend the Small Producer Credit to 2022, or indefinitely.** The Small Producer Credit is a very simple and proven tax reduction that provides almost immediate value to a small producer’s project. The value of the credit is predictable and minor in size comparatively and should ease budgetary concerns. Coupled with the NOL credit, this can truly make projects more attractive to current and new small developers.

2. **Lower the base rate below 35%.** While we understand the budgetary tension, and the trade-offs regarding the loss of progressivity, a fiscal system that starts with a 35% base rate we believe automatically puts Alaska out of contention. Please consider a reduction to 30% or lower.
rate we believe automatically puts Alaska out of contention. Please consider a reduction to 30% or lower.

3. **Create a targeted incentive at a lower rate.** We offer that targeted incentives work best to attract new capital and should be considered in the final version. A 5% - 20% drilling credit is of great value to a project’s overall economics and would complete this package.

Thank you for your hard work and consideration of our requested changes.

Sincerely,

\[signature\]

J. Patrick Foley
Cc: House Resources Committee Members