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Alaska Production Manager  
Joint Interest U.S.



March 1, 2012

The Honorable Joe Paskvan  
Co-Chairman, Senate Resources Committee  
State Capitol Building, Room 115  
Juneau, Alaska 99801-1182

Dear Senator Paskvan:

ExxonMobil continues to follow the progress of the tax reform debate with great interest. While some discussions in the Committee have been encouraging, we are concerned with the proposed Committee Substitute to Senate Bill 192 and the apparent lack of urgency in the Committee in making meaningful tax reform necessary to attract new investments. The proposed Committee Substitute, while a small step in the right direction, will not significantly improve Alaska's overall uncompetitive fiscal regime or attract the necessary investments to enable the state to reach its goal of increased oil production.

Oil and gas investors depend on economic upside potential in order to accept the inherent downside risks of long-term, capital-intensive investments. As experts have testified before your Committee and during other hearings throughout this deliberative process, with Alaska's Clear and Equitable Share (ACES) production tax, the State has one of the highest progressive tax structures in the world. Simply put, Alaska's total government take is too high to fully develop its vast resources.

Without meaningful tax reform Alaska should expect to continue at or likely below the Department of Revenue production forecasts.

It was also disappointing to review many of the amendments discussed in the Committee for consideration. While a few of the proposed amendments, like those offering needed brackets to the progressivity tax and incentives to new production, would have meaningful impacts on investment decisions, others were actually tax increases. We fail to understand how proposals to increase industry's tax burden would serve to improve Alaska's already uncompetitive fiscal regime.

ExxonMobil remains hopeful that the dialogue in your Committee and with the entire Legislature for needed meaningful tax reform will continue and will ultimately lead to the development of a competitive, stable fiscal regime to attract the unprecedented investments that Alaska's North Slope requires. It is ExxonMobil's firm belief that passage of meaningful changes to ACES this year, aligned with those proposed by the Governor's office, will support additional investments in Alaska that will lead to greater development and production.

Thank you again for the opportunity to provide input on the Committee Substitute to Senate Bill 192 and the need for meaningful tax reform.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joe Paskvan". The signature is fluid and cursive, with a large initial "J" and "P".

DDP:jpc

xc: Governor Sean Parnell  
Senator Thomas Wagoner, Co-Chairman, Senate Resources Committee