Production Decline Signals Need for Change
Alaska must compete with the Lower 48

Fellow Alaskans:

Pioneer Natural Resources, along with many other independent producers, fully supports HB 110/SB 49 Governor Parnell’s legislation designed to increase jobs, production and investment in Alaska’s oil industry. This legislation will make Alaska a more competitive climate for business. Pioneer is proud to be the first independent producer on the North Slope, and we hope to expand our operations at Oooguruk. Future investments in Alaska will compete for investment dollars with Pioneer’s projects in the Lower 48 – projects with shorter project cycle-times, lower capital costs and very favorable fiscal terms.

Please join me and other independent companies who support the Governor’s efforts.

Sincerely,

Ken Sheffield
President Pioneer Natural Resources Alaska
Chairman, Alaska Oil and Gas Association
Alaska has Oil – but Higher Taxes Leads to Less Produced

Projects are not taxed into existence. Alaska’s production tax system was designed to attract new investors to the state, but exploration has rapidly declined in the last few years, and only one exploration well is planned for 2011.

The independents are saying the same thing as the traditional Alaska producers: Tax reform is needed to launch new oil activity in Alaska. Gov. Parnell’s legislation will make Alaska more competitive for new investment.

Oil and Gas has Been Good for Alaska – Providing Jobs and Revenue

Oil production is the backbone of Alaska’s economy, providing the state with 89 percent of the general fund revenues and generating one-third of all Alaskan jobs. The average monthly employment in the oil and gas industry fell to 11,800 jobs in 2010, a loss of 1,000 jobs, according to the January 2011 edition of Alaska Economic Trends. Gov. Parnell’s legislation will create more Alaska jobs.

Alaska is NOT Competitive

Wood Mackenzie, a leading world energy industry research firm, ranked Alaska 117th out of 129 in global fiscal terms. What that means is, Alaska is currently not competitive in the global oil and gas marketplace and as a result, jobs are rapidly leaving Alaska for other states. Alaskans are concerned about reduced production and rightly so, the oil and gas industry has been good for Alaska. Help stop Alaska’s Drop – tell your legislator to reform production taxes now.

How will HB 110/SB 49 Create Jobs, Increase Production, and Make Alaska More Competitive? We’ve highlighted some key components of the legislation for your consideration.

I. Reduces one of the highest marginal tax rates in the world by creating brackets for the progressive portion of the production tax. The brackets would be similar to income tax brackets, so as the price of a barrel of oil increases, only the incremental portion of the barrel of oil is taxed at the higher rate versus the entire barrel.

II. Promotes infield drilling by increasing tax credits to 40% on the North Slope, to equal the tax credits in other parts of the state.

III. Calculates the tax on a yearly basis of average prices and costs, instead of monthly tax calculations which are impacted by short term price and cost peaks.

IV. Allows companies to take tax credits in one year, instead of spreading them out over two years.

V. Creates a lower tax rate for new units.

As the bill progresses through the session, please contact your legislator and encourage them to support HB 110/SB 49. Also, thank the Governor for his leadership on this issue.

Stop Alaska’s Drop!
Let your legislators know – it’s time to reform taxes now.

Learn how you can make a difference at www.aoga.org/stop-alaskas-drop/