



July 13, 2015

**THE HONORABLE SENATOR CATHY GIESSEL
THE HONORABLE REPRESENTATIVE MIKE HAWKER**

Via ELECTRONIC MAIL DELIVERY

Dear Senator Giessel and Representative Hawker:

Furie Operating Alaska, LLC ("Furie") respectfully submits the following comments in support of the Oil and Gas Tax Credit program under AS 43.55.023 and funding for that program.

The proceeds from the AS 43.05.023 oil and gas tax credits are an integral component of Furie's business plan. Funds from the State of Alaska tax credit program have allowed Furie to accelerate its exploration and development plans by reinvesting those funds directly back into our operations in Cook Inlet. We are completing a three-year investment program in infrastructure that will allow us to produce up to 100,000 Mcfd of gas for the Alaska market. We will have a net investment of around \$600 million by the end of 2015 of which \$350 million represents the cost of the offshore and onshore production facilities. This is significant, as we are a small company that until last year funded development activities through equity investments of over \$300 million.

Given the amount of investment required to bring offshore gas to shore, we have had to turn to the capital markets. The production tax credits are a significant source of liquidity that allowed us to access economical sources of capital, with costs of debt in the single digits from major banks. The ability to finance and assign these tax credits, as well as use the tax credits for collateral in the financial marketplace has enabled us to plan future activities, partially based on past expenditures.

We were scheduled to close a \$150 million revolving credit facility with a bank that would have allowed us to borrow based on tax credits to pay about 1/2 of the remaining costs. The veto of the appropriation to the oil and gas tax credit fund may have closed this market entirely and at least has reduced the amount of funds we had planned on borrowing.

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Because it is unclear whether or not the funds in the AS 43.05.028 program will be available for continued reinvestment in our exploration and development plans, we must consider scaling our activities back. Negative changes to the program, including the appearance of political uncertainty have increased the lending risk, and ultimately, impact our ability to access further capital.

Banks need certainty as the investment horizon is over a long time period and the lack of certainty has resulted in (1) less capital to be available and (2) significant cost increases. The change to funding for the tax credit program was unexpected and has caused significant issues with lenders. The loss of access to capital and the inability to estimate when we will receive payment for future tax credits significantly reduces our ability to fund continued development. Past experience has shown that without the stable and funded production tax credit regime, the cost of term debt for a development company such as ours (despite significant proven reserves) can be high and was over 20% for the \$200 million of term debt we procured.

This sudden change has impacted our company. At the peak of this project we employed over 450 people who were directly involved with boots on the ground. We acted in good faith to take on an investment to bring economical natural gas to the Alaskan markets. We need to have some certainty in order to continue to fund these investments.

Furie appreciates your stewardship over Alaska's oil and gas industry and the positive impacts that the tax credit program have made over the recent years. The results of the tax credit program are just now coming to fruition. We encourage your continued support to keep the tax credit program as robust and secure as possible.

Best regards,

A handwritten signature in blue ink that reads "Bruce D. Webb". The signature is fluid and cursive, with the first name being the most prominent.

Bruce D. Webb
Sr. Vice President