



THE LINK

1st Quarter 2006

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Petroleum Production Tax: Industry is in the Fight of Its Life

Alliance continues ongoing efforts to promote long-term investment in Alaska

Since receiving the governor's 20/20 proposal, both the House (House Bill 488) and the Senate (Senate Bill 305) have significantly increased government take (at least short-term government take).

They've made the tax rate progressive (but only going up as oil prices increase, not down as they fall), diluted the investment incentives and imposed other investment-unfriendly measures. Bills moving through the two bodies are now significantly different from each other, but both demonstrate a bias toward short-term government revenues over long-term investment and state revenues.

The Alliance is most interested in how these changes affect our members. Growing Alaska's economy over the long term instead of growing state government in the short term ensures contractors' futures in the state of Alaska. Extracting billions

of dollars in additional taxes from the oil and gas industry will discourage new investment.

This comes at the expense of private sector jobs and business opportunities for our members and all Alaskans. It would also virtually guarantee continuing North Slope production decline and reduced state revenues from royalties, income taxes, property taxes and severance taxes over the long term.

So, what is the Alliance doing to protect its members?

The Alliance's ongoing efforts include weekly presence in Juneau by the Alliance's general manager and members; e-mail updates to members on PPT activities; newspaper ads and editorials; helping members contact key legislators to voice concerns; and testifying at all public forums. We need to focus on increasing investment and getting the gas line online.

Alliance Appoints Two New Board Members & Names Member At-Large



Joe Hegna has more than 20 years of experience in the Alaska oil & gas business working for ARCO, ConocoPhillips Alaska, Alyeska and MWH. He was involved with operations management at Prudhoe Bay and regulatory, environment, health and safety management in Anchorage. Joe joined MWH as their oil & gas sector leader in January, and is charged with growing MWH's global position in the oil & gas market. MWH is one of the world's largest engineering firms. Specializing in environmental services, they have more than 6,000 employees and maintain 156 offices in 35 countries. In addition to serving on the Alliance board, he serves on the Eagle River Chamber of Commerce board and the western regional advisory board for the American Red Cross.



Denette Justus Romano is a financial advisor with Wachovia Securities, LLC, and has 20 years of combined experience in the investment industry. Denette transferred from Arizona State to UAA in 1986. Before joining Wachovia Securities, she worked for Morgan Stanley and Salomon Smith Barney. She has been with Wachovia Securities, LLC for 12 years. Denette has her General Securities License (Series 7), Uniform Securities State License (Series 63), Registered Investment Advisor (Series 65) and is a licensed Life, Health, Long-term Care and Annuity Agent. She is in the process of completing her Certified Financial Planner (CFP) designation. Denette is married and has three children. She has always been involved in the community and is currently active with Big Brothers Big Sisters. She is also a member of the Alaska State Chamber of Commerce, the Anchorage Symphony League and the World Affairs Council.



Maynard Tapp was named the Alliance board of director's Member At-Large. He is the founder and managing member of Hawk Consultants LLC and has served in that capacity since 1985. Maynard has 25 years of consultant experience in the oil and gas industry. He has provided project control and project management services on major gas field and cross-country pipeline projects, including the Trans Alaska Pipeline System during its original construction and throughout its operating life. He has also provided planning, scheduling and budgeting/cost control services for various facility modification and upgrade projects, both in Alaska and internationally. He is active in the local community and also serves on the board for the Alaska Chapter of the Project Management Institute.

Getting Our 'Fair Share' of Alaska's Oil and Gas

(Compass piece by Paul Laird printed in ADN 3/9/06)

Some Alaskans lament that with the tax rate in the governor's proposed "Petroleum Profits Tax" set at 20 percent, we won't get our "fair share" from the oil and gas industry. They may be right.

The proposed new method for calculating oil and gas production taxes is projected to increase oil taxes by more than \$1 billion a year at current prices and production levels – an overnight doubling of severance taxes collected under the current system. But unless it becomes part of a bigger fiscal package that provides investors with the long-term stability they need before investing \$25 billion in a North Slope

gas project, we're still virtually guaranteed not to get our fair share ... of oil and gas industry investments, and the private sector jobs and business opportunities that depend on them. Because that project won't happen, along with plenty of others.

Without the "quid" of long-term stability to go with the "pro quo" of higher taxes, the Petroleum Profits Tax is merely an unprecedented \$1 billion annual tax increase on the industry that already provides about 90 percent of the state's general revenues. More specifically, it's a \$1 billion increase on the three companies that currently account for 90 percent of the state's general revenues.

Oil and gas investments and the production they fund are the lifeblood of Alaska's economy. Does anyone genuinely believe that a \$1 billion tax increase won't adversely affect Alaskan investments? Get real.

With an additional \$1 billion in taxes heaped on top of Alaska's already high costs, some Alaskan projects no

longer will offer returns that are competitive with other projects around the world. And the investment capital will go elsewhere. Along with the jobs. And the business revenues.

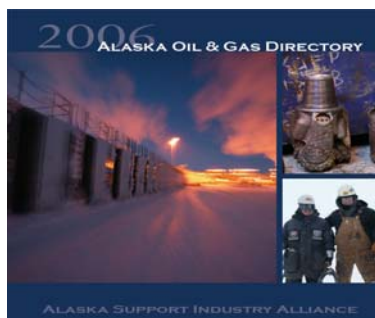
The investment tax credit and annual tax deduction contained in the new tax proposal will help spur oil exploration by independents. That's one important component in the equation to stem production decline on the North Slope and in Cook Inlet. But tens of billions of dollars in investments required to fully develop existing fields and known resources also are critical, and those will take the resources of the major producers.

Oil and gas investments and the production they fund are the lifeblood of Alaska's economy.

So which investments should we forfeit in order to extract another \$1 billion a year from the private sector and give it to a state government that's already projecting a \$1.2 billion budget surplus and is bloating at warp speed?

Which private sector jobs and business opportunities should we sacrifice so there are additional revenues in the hands of a state government that has no long-term fiscal plan for managing excess funds during the good times or balancing the budget when times are lean?

As we debate how to get our "fair share" of the profits from oil and gas production – which effectively means taking more money from the industry to fund further growth of state government – let's also consider the effects of any new tax system on Alaska's competitiveness and on the long-term growth of our economy. Many of us are more concerned about getting our "fair share" of the jobs and business opportunities that depend on new oil and gas investments in Alaska.



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Upcoming Events

Anchorage

April 13 breakfast
Ken Donajkowski, ConocoPhillips

April 27 breakfast
Larry Persily, ADN

May 11 breakfast
Jim Bowles, ConocoPhillips

May 25 breakfast
Cathy Foerster, AOGCC

June 9
Anchorage Golf Tournament

Fairbanks

April 5 luncheon
Judy Brady, AOGA

May 3 luncheon
Dick Cattanach, AGC

August
Fairbanks Golf Tournament - TBA

Kenai

April 18 luncheon
Bill Boycott, Agrium

May 2 luncheon
John Barnes, Marathon Oil

May 16 luncheon
Kip Knudson, Tesoro

July 15
Kenai Fishing Invitational

July 22
Kenai Golf Tournament

Member News

Corporate Video Services

Keeping You Safe One Video at a Time

Corporate Video Services recently completed three training videos for the oil and gas industry. These include:

1) Eliminating spills: Lessons learned and practical guidelines

Presents everyday situations that pose serious risks for spilling hazardous liquids handled by drilling and well service companies. Workers learn practical solutions to reduce or eliminate the potential for those spills.

2) Keeping an eye on safety: Conducting safety audits

Provides methods for drilling rig personnel to conduct safety audits of procedures & operational design of systems.

3) Driving safety awareness

Comprehensive interactive computer-based program designed to help prevent vehicle accidents and fatalities by improving driving behavior.

First National Bank Alaska

New Commercial Lending Office Opens

First National Bank Alaska opened a new lending office Monday at its Eastchester branch in Anchorage. Asst. VP Hugh Wade heads the commercial lending office located at 1821 Gambell Street across from the Sullivan Arena. Wade has eight years of Alaska banking experience, the last four as a commercial lender in the Anchorage area.

"This is an important business area in Anchorage and there are benefits to our bank and the community to have a commercial lender based here," said Wade.

Established in 1922, First National is Alaska's largest locally-owned & operated bank, with 28 branches in 16 communities statewide. Information is available at www.FNBAlaska.com.

Nabors Alaska Drilling

Isenberg Makes Gift to APU

Eugene M. Isenberg, CEO and Chairman of Nabors Industries, made a \$750,000 personal donation to the Alaska Pacific University Foundation to establish an endowment fund to support university programs in health services administration, with the goal of creating more opportunities for Alaska Native students to receive training.

"Alaska is a special place for me and an important place for our company. My donation will help support a valuable program at a highly-regarded Alaska university," said Isenberg.

Nabors Alaska Drilling, a division of Nabors Industries of Houston, has operated in Alaska for over 40 years.



Member News (continued)



Anchorage * Fairbanks * Kenai

Arctic Slope Telephone Association

Not All Crows Are Black



During a response to a recent oil spill, Alaska Clean Seas found themselves in an area with sporadic cellular coverage and no cellular service within the Spill Response Center and surrounding shelters. Arctic Slope Telephone Association Cooperative (ASTAC)

was contacted for a solution, and deployed the Cellular Repeater on Wheels (CROW).

“The CROW met all of our needs for mobile communications on the spill site and within the buildings,” said Kelly Dawson of ACS. “ASTAC quickly came up with and executed a plan for providing the service, completing installation in wind-chilled temperatures in excess of minus 60F.”

With 26 years experience serving the North Slope, ASTAC provides communications services including local and long distance, cellular, data and Internet. If you are ready to move beyond business as usual, give Steve Merriam a call at 907-564-2630, toll free at 1-800-478-6409 or e-mail: steve@astac.net

Evergreen Helicopters of Alaska Inc.

Boeing 747F Supertanker Demo



The world’s most advanced aerial application platform, the Evergreen-Boeing 747F Supertanker, will debut next month in Alaska, tentatively scheduled for April 26 in Fairbanks and April 28 in Anchorage.

This demonstration will allow viewers to compare the capability of the Boeing 747F-based supertanker with current oil spill and wildfire fighting response systems and types of scenarios.

The Evergreen supertanker will perform emergency response missions to save lives, natural resources, homes and communities. The Supertanker can do this while saving the U.S. government and the insurance industry millions of dollars each year.

Evergreen is honored to offer the Supertanker to emergency response professionals, working tirelessly to protect Americans from the threat of fire and other catastrophic events. For more information contact Greg Thies at (907) 257-1500.

The Wilson Agency *Rate Increase Announced*

The Alliance Health Plan renews with Premera Blue Cross Blue Shield of Alaska on May 1, with an overall rate increase of only 10.8%.

Other association health plans in Alaska have received rate increases from 12-24%.

The Health Risk Management program (HRM), which helps employees identify their health risk factors and to assist subscribers in making positive change, has been enhanced for the 2006 plan year to allow more employees access to “health coaching.” Enrolled members actively participating helps minimize cost increases for the plan.

Currently, 54 Alliance member employers are enrolled in the Alliance Health Plan, which covers 1,125 employees.

For more information about this cost savings plan, contact Terry Allard at The Wilson Agency, LLC at 277-1616.

News to share?

Send it to:
Hillary McIntosh

hmcintosh@alaskaalliance.com

Carlile Transportation Systems

Growing by Leaps and Bounds: Tacoma terminal and Purchase of PNW Trucking



Carlile Transportation Systems opened a new 50,000 sq. foot cross dock, state of the art facility at the Tacoma Port and moved the all operations from the Federal Way, Wash., terminal into the new facility.

The new facility offers plenty of room for consolidating freight destined for distribution around the Alaska. "The new state of the art multi-modal facility allows Carlile to better serve its Alaska client base and expand into the busy Pacific Northwest market," said Linda Leary, Carlile vice president of sales.

Founded in 1980 by brothers John and Harry McDonald, Carlile has grown from two tractors to one of Alaska's largest trucking companies now employing more than 500 Alaskans and terminals in Anchorage, Fairbanks, Kenai, Kodiak, Prudhoe Bay/Deadhorse, Seward, Tacoma, Houston, Minnesota and Edmonton, Alberta.

Peak Oilfield Service Company

ConocoPhillips and Peak Oilfield Service Co. Earn Workplace Safety and Health Awards

Department of Labor & Workforce Development Commissioner Greg O'Claray recognized ConocoPhillips and Peak Oilfield Service Company for outstanding workplace safety and health programs.

The companies were awarded Star designation in the Alaska Occupational Safety and Health Voluntary Protection Program (VPP) in separate ceremonies March 14 in Beluga River.

"A strong commitment to safety and health in the workplace results in increased productivity and employee morale," said Commissioner O'Claray. "Alaska's workers deserve to be safe while earning a living, and we applaud companies who work hard to create such an environment."



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Member Spotlight



Kakivik Asset Management: Always taking the next step

Since its first contract was awarded in 2000, Kakivik Asset Management, LLC has grown so quickly, it was literally bursting through walls.

“We were breaking through walls in our first office to make more space,” Kakivik

president and CEO Mark Hylan said. “And even that wasn’t enough.”

Now settled in an office space where there is plenty of room to handle the

burgeoning operations, Kakivik continues to focus on its core values of maintaining asset integrity, inspection program innovation and quality management.

“Kakivik” is a Yupi’k native word that describes a pouch containing items critical to survival in the Alaska wilderness—and the company lives up to this name by covering a comprehensive range of asset integrity inspection programs and management services.

Over the past six years Kakivik has built upon their promise of delivering integrity, innovation and quality to their clients. While the list of Kakivik’s services is extensive, most of the company’s work involves inspection and engineering.

“Our programs and services are designed to minimize the cost and extend the value of asset ownership,” Hylan said. “Much of our effort focuses on new and innovative technology. We recently purchased a new tool for nondestructive evaluation, and we are the sole technology provider in North America.”

Kakivik primarily uses this innovative tool to map external corrosion. Kakivik collects data from external corrosion networks, and then analyzes and models selected data to proof of best engineering practices resulting in comprehensive risk-based programs.



Kakivik Field Lead, Ruel Carlson performing linear array on a 24" line on the North Slope.

In addition to new technology, Kakivik places emphasis on training programs and Alaskan hire, and commits to their programs by investing more than five percent of their pre-tax revenue into a training account.

This level of training is one of the ways Kakivik retains its employees. Morale is also key, and Hylan considers this a barometer for productivity. Kakivik funds an employee morale account, to recognize and reward employee and team accomplishments, and to support individual, team and community activities.

“We have an impressive team, and their work does not go unnoticed,” Hylan said. “One of the most satisfying parts of my job is seeing people who enjoy coming to work each day.”

Mark Hylan sits on the board of directors for the Alaska Support Industry Alliance.

For more information about Kakivik Asset Management, LLC call Mark Hylan at 907-770-9400 or e-mail him at mhylan@kakivik.com.