

OIL & GAS:

**FUELING
ALASKA'S
ECONOMY**



Alaska Oil and Gas Association

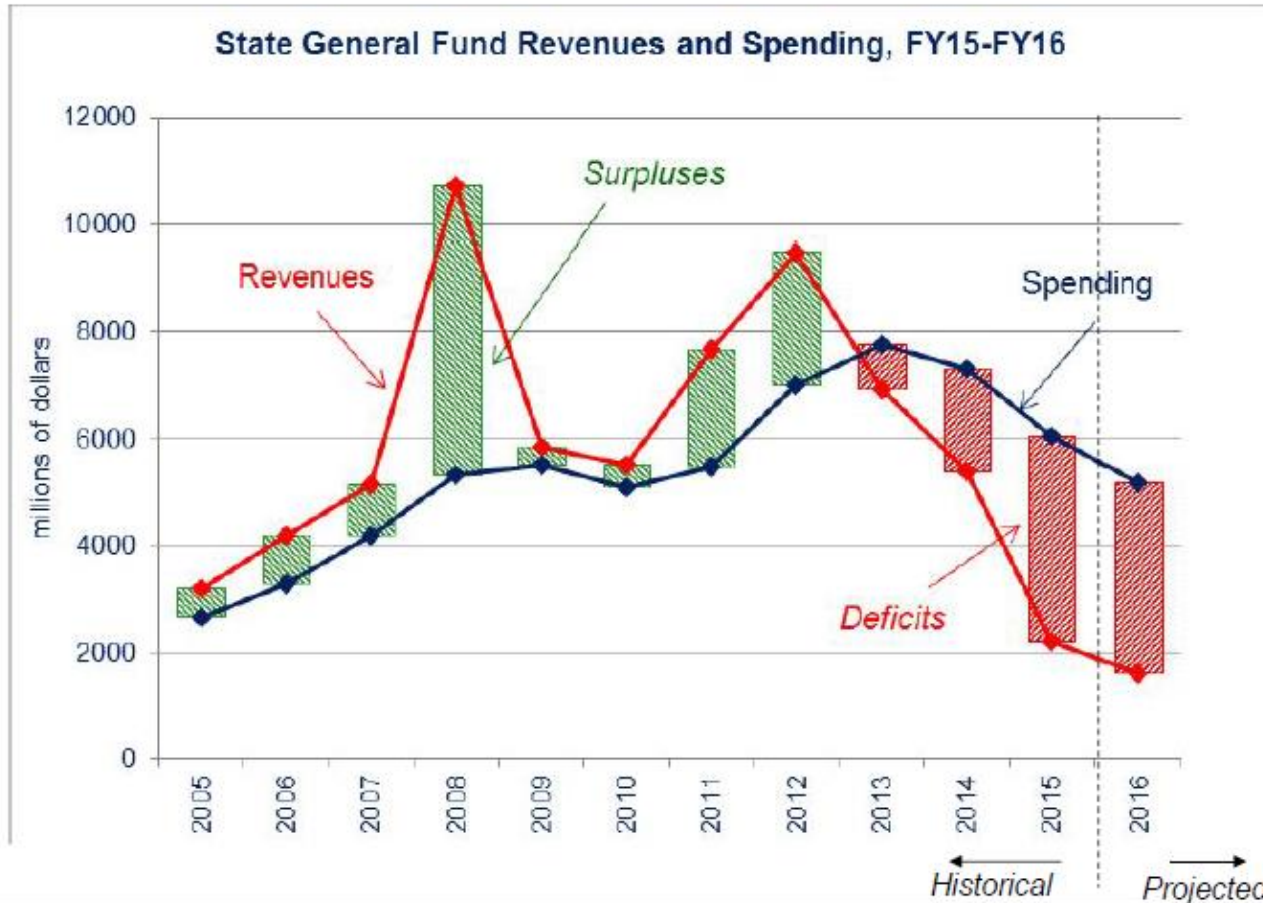
AOGA Presentation - AOGA Legislative Luncheon - January 21, 2016

AOGA MEMBER COMPANIES

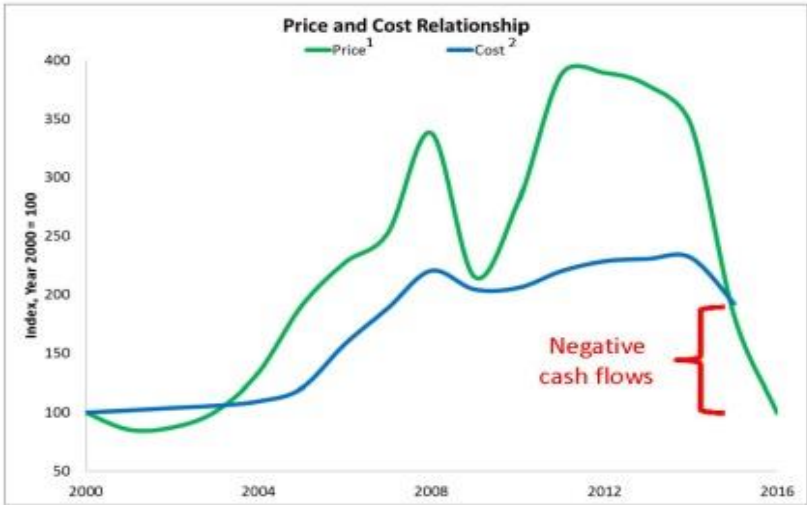
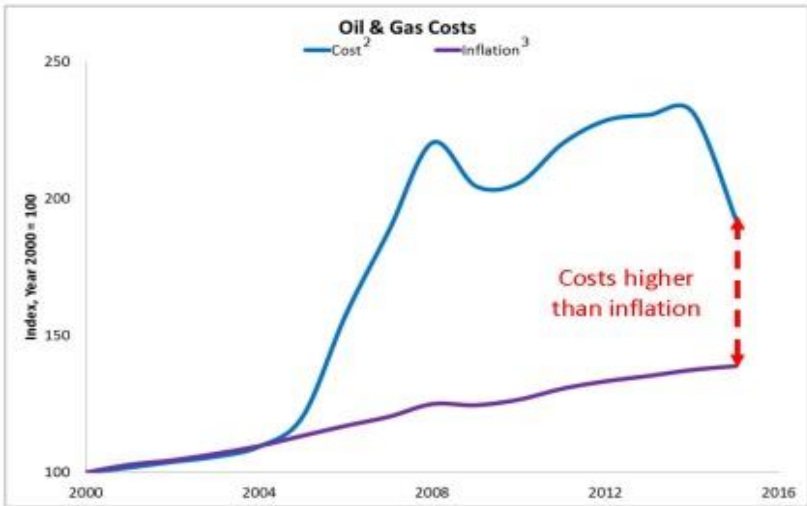
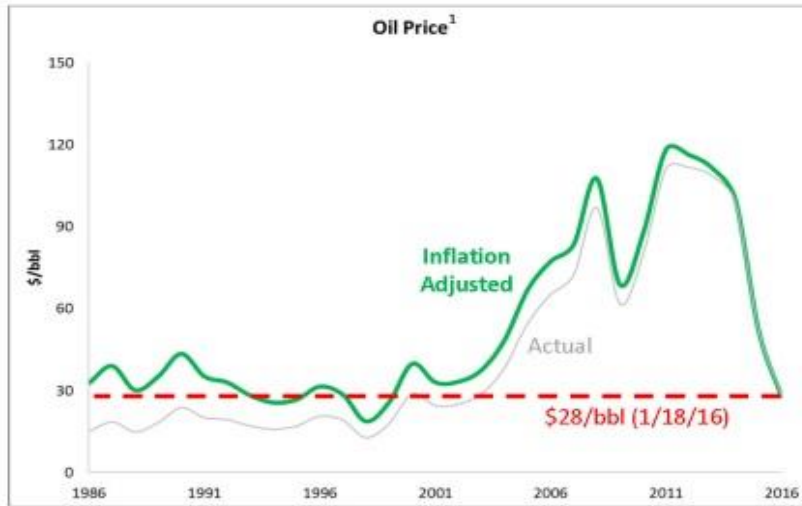


STATE FISCAL SITUATION

From 2005 to 2012, even though spending was rising, we ran big General Fund surpluses. Since 2013 we have been running big General Fund deficits.



INDUSTRY TRENDS IN NORTH AMERICA



Low Prices

- Unprecedented drop in oil price; lower than mid-80s

High Costs

- O&G development costs grew 90% since 2000, greater than 2x inflation

Significant Losses

- Companies filing for bankruptcy, leaving regions (e.g., AK), laying off workers, cutting spend, deferring projects and stopping drilling
- Changing tax policy only makes it worse vs increasing taxes

Sources

1. Price: Brent Crude (EIA)
2. Cost: Upstream Capital Cost Index (IHS / CERA)
3. Inflation: Consumer Price Index (US Department of Labor)

INDUSTRY COSTS IN ALASKA

ANS Price for 1/19/16		\$26.97
Downstream Costs		
ANS Marine Transportation	(\$3.28)	
TAPS Tariff	(\$6.41)	
Other	(\$0.87)	
Total Transportation Costs		(\$10.56)
Royalty		(\$5.63)
Lease Expenditures		
Operating Expenditures	(\$18.48)	
Capital Expenditures	(\$17.68)	
Total Lease Expenditures		(\$36.14)
ESTIMATED FY16 COSTS OF PRODUCTION BEFORE TAXES		(\$52.33)



Source: DOR, Fall 2015 RSB