AOGA MEMBER COMPANIES

- CAELUS Energy Alaska
- Hilcorp Alaska, LLC
- ExxonMobil
- Petro Star Inc.
- Tesoro
- bp
- Alyeska Pipeline Service Company
- Shell
- BlueCrest Energy
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

<table>
<thead>
<tr>
<th>Cost Component</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANS Price for 1/19/16</td>
<td>$26.97</td>
</tr>
</tbody>
</table>

### Downstream Costs

<table>
<thead>
<tr>
<th>Cost Component</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANS Marine Transportation</td>
<td>($3.28)</td>
</tr>
<tr>
<td>TAPS Tariff</td>
<td>($6.41)</td>
</tr>
<tr>
<td>Other</td>
<td>($0.87)</td>
</tr>
</tbody>
</table>

### Total Transportation Costs

- Total Transportation Costs: ($10.56)

### Royalty

- Royalty: ($5.63)

### Lease Expenditures

<table>
<thead>
<tr>
<th>Cost Component</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expenditures</td>
<td>($18.48)</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>($17.68)</td>
</tr>
</tbody>
</table>

### Total Lease Expenditures

- Total Lease Expenditures: ($36.14)

### ESTIMATED FY16 COSTS OF PRODUCTION BEFORE TAXES

- Estimated FY16 Costs of Production Before Taxes: ($52.33)

Source: DOR, Fall 2015 RSB