AOGA Member Companies
Largest private sector in Alaska

1 oil and gas industry job generates 20 other jobs through industry spending:
9 private sector jobs and 11 government jobs.

Source: “The Role of the Oil and Gas Industry in Alaska’s Economy,” McDowell Group, May 2014
Oil fuels Alaska’s economy

“...without oil, [Alaska’s] economy today would be only ½ the size.”

University of Alaska Anchorage, ISER report, Prof. Scot Goldsmith, February 2011
Why does all of this matter?

About 90% of state tax revenues come from the oil and gas industry

Source: Alaska Dept. of Revenue, April 5, 2013 presentation

all other revenue sources
Current environment:

- Shell’s departure from the Chukchi
- Low oil prices
- Recent layoffs
- State of Alaska budget shortfall
Is it competitive?
Does it provide stability?
Will it provide predictability?
Does it “do no harm”?
Industry is struggling worldwide; Alaska not exempt

<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Downstream Costs</td>
<td></td>
</tr>
<tr>
<td>ANS Marine Transportation</td>
<td>($3.28)</td>
</tr>
<tr>
<td>TAPS Tariff</td>
<td>($6.41)</td>
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<tr>
<td>Other</td>
<td>($0.87)</td>
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<tr>
<td>Total Transportation Costs</td>
<td>($10.56)</td>
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<tr>
<td>Royalty</td>
<td>($5.63)</td>
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<tr>
<td>Lease Expenditures</td>
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<td>Operating Expenditures</td>
<td>($18.48)</td>
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<tr>
<td>Capital Expenditures</td>
<td>($17.68)</td>
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<tr>
<td>Total Lease Expenditures</td>
<td>($36.14)</td>
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**ESTIMATED FY16 COSTS OF PRODUCTION BEFORE TAXES**

($52.33)

Source: DOR, Fall 2015 RSB

Source: NASDAQ 1/13/16
PRODUCTION: WHERE ARE WE & WHERE ARE WE HEADED?

TAPS Throughput Historical & Forecasted

<table>
<thead>
<tr>
<th>Year</th>
<th>Fall 2013 Forecast</th>
<th>Fall 2015 Forecast</th>
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<tbody>
<tr>
<td>2016</td>
<td>487.6</td>
<td>500.2</td>
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<tr>
<td>2017</td>
<td>482.7</td>
<td>504.9</td>
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<tr>
<td>2018</td>
<td>459.5</td>
<td>497.7</td>
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<tr>
<td>2019</td>
<td>429.1</td>
<td>487.6</td>
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<tr>
<td>2020</td>
<td>399.6</td>
<td>460.5</td>
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<td>2021</td>
<td>368.8</td>
<td>423.9</td>
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<td>2022</td>
<td>340.1</td>
<td>391.1</td>
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<td>2023</td>
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<td>359.8</td>
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<td>2024</td>
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<td>329.2</td>
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<td>2025</td>
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<td>302.1</td>
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</table>

Production and Forecast figures: State of Alaska DOR, Fall 2013 & Fall 2015 Revenue Sources Book
Tough times: Latest earnings reports

• Chevron: First quarterly loss in 14 years
• BP: Lost $6.5 Billion in 2015
• Exxon: Weakest annual results in 10+ years
• Worst industry decline since late 80’s/early 90’s
• Industry in North America collectively losing $2 Billion per WEEK
Industry Update

Point Thomson will begin production in early 2016

ConocoPhillips’ CD-5 now in production in NPR-A

Hilcorp in permitting phase for Liberty Project
Liberty Project

- Estimated first production: 2020-2021
- Total recovery estimate: 80-150 million barrels
- Peak production estimate 60,000-70,000 barrel/day
- 16 well slots: 5-8 producers, 4-6 injectors, 2 disposal wells
- Project life: 15-20 years
Tax credits:

- An investment in Alaska’s future
- Generating jobs, investment, and production
- Key in attracting new and smaller companies to Alaska
The Cook Inlet comeback

• Southcentral’s primary source of lights, heat for 40+ years
• In 2010, the Alaska Legislature made changes that improved Cook Inlet’s investment climate, including credits
• Companies responded with new investments
• No more threats of rolling blackouts in Southcentral Alaska
Cook Inlet oil production up 102%

Cook Inlet oil production 2005-2015

Production (thousand bbls/day)

Source: DOR, Fall 2015 RSB
Alaska LNG project

- Legislature authorized TransCanada buy-out and $160 million funding
- Requires healthy oil industry
To keep up with everything going on in the oil and gas industry in Alaska:

www.aoga.org

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Thank you