AOGA Membership

[Logos of various companies such as Caelus, Hilcorp Alaska, LLC, bp, ExxonMobil, Petro Star Inc., Chevron, Andeavor, Furie Operating Alaska LLC, Alyeska Pipeline Service Company, Shell, Glacier, and BlueCrest Energy]
Where are we today?

- Oil production is ~540,000 barrels/day – increase came from several fields – not just one
- 65-75% of Alaska’s general fund (i.e. spending money) still comes from four different oil revenue sources
- Oil is still the largest tax payer in the state
- Companies need tax credits paid in full sooner rather than later
- Vast amounts of oil left on the North Slope, but expensive to produce
- Opportunity with federal alignment
- Alaska needs investment, but state has had unstable tax policy & damaged business reputation
- The fish habitat permitting (“salmon”) initiative is a major threat to industry
Production Increase came from many fields.

Source: DNR Presentation 10/25/17
Forecast for FY 18

FY18 Forecast is 533,000 BOPD
FY17 Actual was 526,000 BOPD

Source: DNR
Presentation
10/25/17
Increased Investment
Increased Production

**Forecasted FY18 North Slope Oil Production**

- **Current forecast for FY 18**: 546,360 bpd
- **FY 12 forecast for FY 18**: 442,900 bpd

**Difference in Production**

103,460 bpd

Additional barrels per day (bpd) projected in FY18 North Slope production than in FY12

**Difference in Revenue**

~$300 million

If production would have been as forecasted in FY 12 (442,900 bpd), State revenue would be approximately $300 million less than is predicted for FY18 State due to increased North Slope production.

Source: DOR
Revenue Sources
Books
Increased FY18 revenues resulting from improved North Slope production will provide funding for important government services.

~$300 million state revenue could be used to fund:

- Almost the entire UGF budgets of DNR, F&G, DEC, DOT, & Law combined: $318 million
- Dept. of Corrections: $267 million
- Dept. of Public Safety: $159 million
- Court System: $105 million
- University of Alaska: $317 million

Note: All figures reflect Unrestricted General Fund (UGF) dollars.
Oil Revenues are Majority of Unrestricted General Fund

FY18 Unrestricted General Fund (UGF) Revenues

- Petroleum: $1,561.1 million (75%)
- Non-Petroleum: $497.3 million (24%)
- Investment: $23.2 million (1%)

FY17 local property taxes: $393 million

~$2.4 billion
Predicted total to be to State & local communities in FY 18

Source: DOR Revenue Sources Book, Dec. 2017
### RESOURCE POTENTIAL

<table>
<thead>
<tr>
<th>STATE LAND</th>
<th>FEDERAL LAND</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cook Inlet</strong></td>
<td><strong>Offshore Arctic</strong></td>
</tr>
<tr>
<td>599 mbo and 19 tcf gas</td>
<td>27 bbo and 132 tcf gas</td>
</tr>
<tr>
<td><strong>Onshore North Slope</strong></td>
<td><strong>NPR-A</strong></td>
</tr>
<tr>
<td><em>Conventional</em></td>
<td>8.8 bbo and 39.2 tcf gas</td>
</tr>
<tr>
<td>5 bbo and 35 tcf gas</td>
<td><strong>ANWR</strong></td>
</tr>
<tr>
<td><em>Heavy/Viscous</em></td>
<td>10 bbo and 3.5 tcf gas</td>
</tr>
<tr>
<td>24-33 bbo</td>
<td></td>
</tr>
<tr>
<td><em>Unconventional</em></td>
<td></td>
</tr>
<tr>
<td>2 bbo and 12 tcf gas</td>
<td></td>
</tr>
</tbody>
</table>

mbo - million barrels of oil  bbo - billion barrels of oil  tcf - trillion cubic feet

Source: USGS
Caelus’ Nuna Project

Estimated at ~15,000 barrels per day at peak
Pikka Project by Armstrong, Repsol & Oil Search

Estimated at ~120,000 barrels per day at peak
Hilcorp’s Liberty Project

Estimated at ~60,000 barrels per day at peak
North Slope Exploration in new & existing fields

Glacier Oil & Gas
Future plans at Badami

**eni**

Four exploration wells approved for 2017-2019

(First well spud on Christmas night!)
Alignment with federal government “Energy Dominance”
ANWR leasing to occur in next decade

‘A historic moment’: How ANWR drilling was passed by Congress after decades of effort
Expanded Draft 5-Year OCS Lease Plan
### United States Oil Production Projection

**U.S. Energy Information Administration**  
**October 2017**

<table>
<thead>
<tr>
<th>Location</th>
<th>Oil Production Barrels Per Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total United States Production</td>
<td>9,637,000</td>
</tr>
<tr>
<td>Texas</td>
<td>3,767,000</td>
</tr>
<tr>
<td>North Dakota</td>
<td>1,164,000</td>
</tr>
<tr>
<td>New Mexico</td>
<td>528,000</td>
</tr>
<tr>
<td><strong>Alaska</strong></td>
<td><strong>507,000 (5% of total US)</strong></td>
</tr>
<tr>
<td>Oklahoma</td>
<td>491,000</td>
</tr>
<tr>
<td>California</td>
<td>471,000</td>
</tr>
</tbody>
</table>

US production predicted to grow – Will Alaska’s mega resources be part of the mix?

Note: All oil production figures are in barrels per day.
Alaska Needs Investment for Long-Term Future

Source: Alaska’s 10-Year Oil Production Outlook & Potential New Developments. Alaska Department of Natural Resources, Division of Oil & Gas. February 2017

Figure 10. Alaska North Slope actual production and official forecast for Fall 2016 Revenue Source Book. An illustrative range of low-flow rates is shown with approximate year of shutdown. For the 300,000 BOPD low-flow rate, the approximate year of TAPS shutdown could be 2029. For the 100,000 BOPD low-flow rate, the approximate year of TAPS shutdown could be 2058.

Absent new investment, production continually declined.
Forecast has improved, but requires investment.

The latest production forecast shows improvement, but forecast relies on continued investment.

Source: DNR
Presentation 10/25/17
Alaska expected to capture less than 2% of US investment

- Currently, Alaska is only capturing 1.7% of total US investment, or approximately $1.9 billion in capital.

- Based on recent history, it takes at least $3.6 billion of Alaska capital investment to grow production.

- How does Alaska compete for an increase in capital necessary to grow production past 2018?
<table>
<thead>
<tr>
<th>Dates</th>
<th>Tax Policy Change</th>
<th>Increase/Decrease?</th>
<th>AOGA Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2006 - July 2007</td>
<td>Petroleum Production Tax (PPT)</td>
<td>Tax Increase</td>
<td>Opposed Final Version</td>
</tr>
<tr>
<td>July 2007 - 2013</td>
<td>Alaska's Clear and Equitable Share (ACES)</td>
<td>Tax Increase</td>
<td>Opposed</td>
</tr>
<tr>
<td>2010</td>
<td>Cook Inlet Recovery Act</td>
<td>Incentives for Industry</td>
<td>Supported</td>
</tr>
<tr>
<td>2014</td>
<td>SB 21</td>
<td>Both</td>
<td>Supported, with concerns</td>
</tr>
<tr>
<td>2016</td>
<td>HB 247 - Gov. Walker's oil tax reform</td>
<td>Tax Increase</td>
<td>Opposed</td>
</tr>
<tr>
<td>2017</td>
<td>HB 111</td>
<td>Tax Increase</td>
<td>Opposed</td>
</tr>
<tr>
<td>2018</td>
<td>Proposed HB 288</td>
<td>Tax Increase</td>
<td>Opposed</td>
</tr>
</tbody>
</table>

Eight changes in 13 years is not stable tax policy.
Proposed Initiative One of the Biggest Threats to Industry

Understanding the Impacts of the Stand for Salmon Initiative

- Virtually impossible to permit and large projects:
  - Prudhoe Bay
  - Trans-Alaska Pipeline System
  - Red Dog Mine
  - Parks, Seward, or Denali Highways
  - Potential LNG Pipeline

- Cannot understate the consequences of this initiative

- Any project (no matter the size or purpose) that converts anadromous fish habitat cannot be permitted

- Prohibits any offsite mitigation

- Permit renewal for TAPS would require over 600 major permits – could be impossible to achieve
Proposal Based on False Premise that Habitat is Not Protected

**State of Alaska**
- Anadromous Fish Act
- Water Use Act
- Special Area Permitting Program

**Federal Government**
- Clean Water Act Section 404
- Clean Water Act Section 401 (as implemented by ADEC)
- Clean Water Act Section 402 (as implemented by ADEC)
- Magnuson-Sevens Fishery Conservation and Management Act
- Rivers and Harbors Act
- National Environmental Policy Act
AOGA
Opposes Fish Habitat Permitting “Salmon” Initiative

JOIN COALITION TODAY – www.standforak.com

STAND FOR ALASKA

PROTECTING SALMON, JOBS, AND COMMUNITIES.

Paid for by Stand for Alaska, 200 West 34th Avenue, PMB 1219, Anchorage, AK 99503. Marleanna Hall, chair, Aaron Schutt and Joey Merrick, co-chairs, approved this message. Top contributors are Hecla Mining Company, Alaska Oil and Gas Association, and ConocoPhillips.
“They didn’t know it couldn’t be done.”