AOGA Member Companies

Alyeska Pipeline Service Company
TESORO
Hilcorp Alaska, LLC
Shell
Petro Star Inc.
Caelus Energy Alaska
BlueCrest Energy
bp
ExxonMobil
Chevron

ALASKA OPEN FOR BUSINESS?
Industry facing economic struggles, Alaska not exempt

### January 2016 avg. ANS Price

<table>
<thead>
<tr>
<th>Cost Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downstream Costs</td>
<td>$30.28</td>
</tr>
<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>
<tr>
<td>Total Transportation Costs</td>
<td>($10.56)</td>
</tr>
<tr>
<td>Royalty</td>
<td>($5.63)</td>
</tr>
<tr>
<td>Lease Expenditures</td>
<td></td>
</tr>
<tr>
<td>Operating Expenditures</td>
<td>($18.48)</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>($17.68)</td>
</tr>
<tr>
<td>Total Lease Expenditures</td>
<td>($36.14)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ESTIMATED FY16 COSTS OF PRODUCTION BEFORE TAXES</strong></td>
<td><strong>($52.33)</strong></td>
</tr>
</tbody>
</table>

**Source:** DOR, Fall 2015 RSB
Current environment:

- Shell’s departure from the Chukchi
- Low oil prices
- Recent layoffs
- State of Alaska budget shortfall
## 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>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>487.6</td>
<td>500.2</td>
</tr>
<tr>
<td>2017</td>
<td>482.7</td>
<td>504.9</td>
</tr>
<tr>
<td>2018</td>
<td>459.5</td>
<td>497.7</td>
</tr>
<tr>
<td>2019</td>
<td>429.1</td>
<td>487.6</td>
</tr>
<tr>
<td>2020</td>
<td>399.6</td>
<td>460.5</td>
</tr>
<tr>
<td>2021</td>
<td>368.8</td>
<td>423.9</td>
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<tr>
<td>2022</td>
<td>340.1</td>
<td>391.1</td>
</tr>
<tr>
<td>2023</td>
<td>312.9</td>
<td>359.8</td>
</tr>
<tr>
<td>2024</td>
<td></td>
<td>329.2</td>
</tr>
<tr>
<td>2025</td>
<td></td>
<td>302.1</td>
</tr>
</tbody>
</table>

Production and Forecast figures: State of Alaska DOR, Fall 2013 & Fall 2015 Revenue Sources Book
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)
Is it competitive?
Does it provide stability?
Will it provide predictability?
Governor’s Oil & Gas Tax Credit Reform Bill (HB 247) Components

- Increases minimum tax by at least 25%
- Net Operating Loss tax credits lose value
- Set limits on credits
- Cook Inlet credits eliminated
- Interest rates increase significantly
- Confidentiality provisions waived
- Change of application of Gross Value at the Point of Production
Tax credits:

- An investment in Alaska’s future
- Generating jobs, investment, and production
- Key in attracting new and smaller companies to Alaska
Cook Inlet oil production up 102%

Cook Inlet oil production 2005-2015

Production (thousand bbls/day)

Source: DOR, Fall 2015 RSB
Liberty Development

- 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

COMMENT TODAY: regulations.gov
Docket No. BOEM–2015–0068
Alaska LNG project

- Legislature authorized TransCanada buy-out and $160 million funding
- Requires healthy oil industry
Will this lead to greater production and more investment and jobs in Alaska? First, do no harm.
Contact your legislator and let them know you support keeping Alaska open for business.

openforbusiness.aoga.org

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Thank you