Alaska Oil and Gas Association

The voice of the oil and gas industry in Alaska

Governed by a Board of Directors made up of member companies

Represent the majority of oil and gas exploration, production, refining, and transportation companies operating in Alaska

Advocate on behalf of industry as a whole

Testify on legislation affecting industry

Develop comments and litigate on issues involving endangered species, environmental regulations (e.g. air and water permits), etc.

Inform the public about oil and gas’ importance to Alaska

Interact with policymakers

Occasionally get involved with ballot measures
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 tax reform

April 2013: SB 21- Oil tax reform passed
January 2014: SB 21 in place
Summer 2014: Referendum to repeal SB 21
August 2014: Referendum defeated
Under RSB assumptions for oil price and production, SB 21 brings more revenue than ACES would have in both FY 2015 and FY 2016; in fact, in FY 2016, under ACES producers would pay no tax and carry a credit forward.

Main differences are binding gross minimum and elimination of capital credits.

SB 21 is working as designed.
New projects currently moving forward

- **New player on the North Slope** – acquiring 100% of 2 smaller fields & 50% of 2 others
- **Conducting seismic within Prudhoe** – adding a new rig in 2015, another in 2016
- **Over $1 billion more**

- **Drilling to continue at Spy Island** for potential new expansion
- **Spending $240m** on seismic and drilling this winter
- **Construction of Pt Thomson field** – on track for 2016 production
- **Two new Rigs at Kuparuk**, 2 new rigs on order & 2 billion in additional investment
- **Production expected in 2015 in NPRA**
Near-term production increase projected

“Greater investment by the oil and gas industry on the North Slope and solid performance of state investments makes Alaska’s overall financial health sound.”

–Marcia Davis, DOR

Source: Alaska DOR Revenue Sources Book, Fall 2014
Employment on the Slope remains high

Oil Industry Employment Keeps Hitting New Highs

During The Past Decade Prudhoe Bay Employment Counts Have More Than Doubled

Source: Neil Fried presentation to RDC, Nov. 14- Alaska DOLWD, Research and Analysis Section
## Oil and gas puts Alaskans to work

### Percent of out-of-state employees by industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Government</td>
<td>7%</td>
</tr>
<tr>
<td>Refineries and Pipelines</td>
<td>7%</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>10%</td>
</tr>
<tr>
<td>All Sectors (Private and Public)</td>
<td>20%</td>
</tr>
<tr>
<td>Prof., Scientific, and Technical Services</td>
<td>23%</td>
</tr>
<tr>
<td>All Private Sectors</td>
<td>24%</td>
</tr>
<tr>
<td>Oil and Gas Drillers</td>
<td>27%</td>
</tr>
<tr>
<td>Combined Oil and Gas Industry*</td>
<td>30%</td>
</tr>
<tr>
<td>Oilfield Support Services</td>
<td>34%</td>
</tr>
<tr>
<td>Accommodations</td>
<td>42%</td>
</tr>
<tr>
<td>Scenic and Sightseeing Transportation</td>
<td>52%</td>
</tr>
<tr>
<td>Seafood Processing</td>
<td>74%</td>
</tr>
</tbody>
</table>

Source: McDowell, Economic Impact of Oil and Gas Report, 2014
Tax credits are a key driver at attracting smaller companies

Cook Inlet:
- Apache
- Hilcorp
- Furie
- Miller Energy
- Blue Crest Energy

North Slope:
- Caelus
- Eni
- Respol
- Great Bear
- Brooks Range
What’s next for Cook Inlet?

- Ongoing increased investment – resulting in new exploration/appraisal wells & increased production
- Applied for five year offshore seismic period with National Marine Fisheries Service
- Acquired additional state acreage with $1.5 million work commitment
- Constructing new subsea pipeline to Tesoro refinery
- Plan to drill 3 delineation wells – planning for onshore and offshore development
- Seeking financing to restart Nikiski fertilizer plant
- LNG export reauthorized by DOE of up to 40 BCF thru Feb 2016
- Ongoing work for new gas production platform
Alaska’s Outer Continental Shelf

Mega Potential

- 27 billion barrels of oil
- 132 trillion cubic feet gas
- 35,000 potential annual jobs,
- $70 billion in payroll

Not a new basin
Next generation of development in Alaska

Shell is moving forward for 2015
Other countries developing arctic resources
Shipping lanes, tourism opportunities
Limited infrastructure and response capabilities
Challenges to development

• Federal overreach
  • Land withdrawals
  • ESA issues
  • Permitting

• State Issues
  • Permitting
  • Stable tax policy
Work together. Win together.