AOGA Members

- GLACIER
- Hilcorp
- CAELUS Energy Alaska
- BlueCrest Energy
- PETRO STAR INC.
- Chevron
- TESORO
- bp
- ExxonMobil
- FURIE Operating Alaska LLC
- Alyeska pipeline Service Company
Why is Oil & Gas Important?
Oil & Gas Drives Alaska’s Economy

• 1/3 all Alaska jobs (110,000 jobs) attributed to industry

• Every direct job = 20 more jobs

• Every dollar in wage = $8 more

• 85% of State’s Unrestricted General Fund since statehood

• No other industry even comes close
North Slope Production Increased for the first time since 2002

#MoreIsBetter4AK

OIL PRODUCTION UP BY 3%

Source: DOR FALL 2016 RSB
Policy Matters in Cook Inlet
Oil production up 84%

Source: DOR Fall Sources Book – 2013 & 2016
Alaska Needs Investment for Future

Without new investment the main source of Alaska’s revenue will continue to decline and risk complete shutdown of the Trans-Alaskan Pipeline in less than 15 years.

Source: EIA Estimates from Annual Energy Outlook 2016

Source: Caelus Energy Presentation to Legislature, 2/1/17
New Projects, Major New Discoveries

“Hilcorp delivers new rig to North Slope Moose Pad expansion”
Alaska Dispatch News, October 13, 2016

“Greater Prudhoe Bay area production had less than a 1% decline in 2016”
Platts, December 2016

“Caelus aims to unlock vast Torok oil resource”

“ ‘Surprising’ Alaska oil-lease sale draws big bids”

“ConocoPhillips orders monster rig to set new drilling standard and tap new field in Alaska”
Alaska Dispatch News, October 6, 2016

“Ahtna completes exploration well near Glennallen, plans tests for potential gas”

“Caelus claims Arctic oil discovery that could rank among Alaska’s biggest ever”
Alaska Dispatch News, October 4, 2016

“Hilcorp files new development plan for Liberty prospect”

“Development Of Huge North Slope Alaska Oil Discovery Moving Forward (Armstrong’s Pika Unit)”
Fairfield Times, March 1, 2016

“ConocoPhillips announces Alaska discovery with daily production potential of 100,000 barrels”
Alaska Dispatch News, January 13, 2017
Alaska has potential for very bright future

Alaska Oil Production with New Investment

With new capital investment the oil industry will find new oil and increase production which will ensure Alaskans maintain a very bright future.

Source: Caelus Energy Presentation to Legislature, 2/1/17
Alaska is a high cost environment

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average ANS Price – Jan 2016 – Dec 2016</td>
<td>$43.17</td>
</tr>
<tr>
<td>Transportation Costs</td>
<td>($9.88)</td>
</tr>
<tr>
<td>Total Operating Expenditures</td>
<td>($15.78)</td>
</tr>
<tr>
<td>Total Capital Expenditures</td>
<td>($18.02)</td>
</tr>
<tr>
<td>Total Average Cost Per Barrel Before Tax &amp; Royalty</td>
<td>($43.68)</td>
</tr>
</tbody>
</table>

Source: DOR Fall 2016 Forecast & DOR Historical ANS Prices
Would you invest in Alaska if tax policy changed 7 times in 12 years?

<table>
<thead>
<tr>
<th>Dates</th>
<th>Tax Policy Change</th>
<th>Increase / Decrease?</th>
<th>AOGA Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 2005- March 2006</td>
<td>Aggregated ELF – Administrative decision altering gross production tax</td>
<td>Tax Increase</td>
<td>Opposed</td>
</tr>
<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>Proposed HB 111 – House Resources</td>
<td>Tax Increase</td>
<td>Opposed</td>
</tr>
</tbody>
</table>

* Some provisions of ACES made retroactive to enactment of PPT, others to 1/1/2007

Few other regions consider oil/gas changes more than Alaska.
HB 111 Increase Cost & Harm Economy

- Increases taxes by $50 – 400 Million (depending on oil prices)
- Increases minimum tax to 5% at $50/oil
- Eliminates NOL credits – converts to a deduction, but only 50% of loss is allowed
- Creates one of the largest regulatory processes in state history
- Decreases the value of per barrel credits (which raises taxes)
- Limits cash payments to $35/million
- Increases interest
- Variety of other provisions that result in tax increases

*HB 111 will push Alaska to bottom of competitive rung, drive away investment dollars, force more job loss, and will cause production decline.*