

Senate Resources Committee

CSHB111(FIN)

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ConocoPhillips Alaska

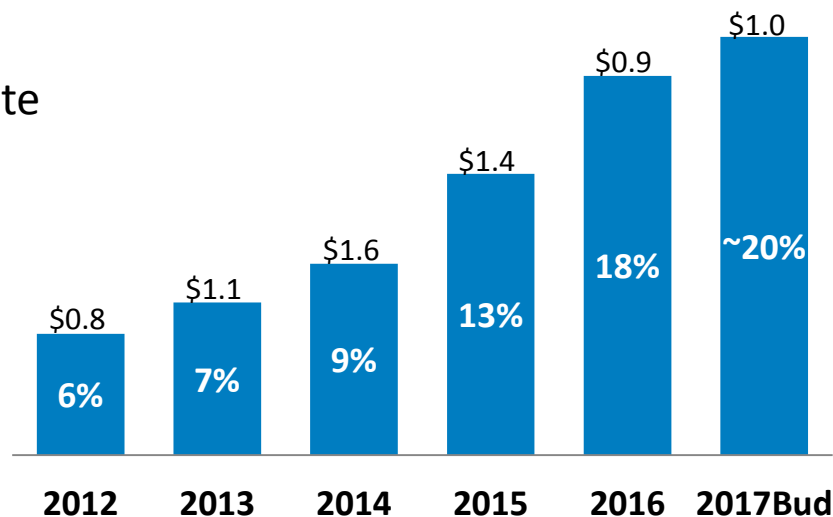
April 17, 2017

Activities Since Tax Reform (SB21) Passed

- Added two rigs to the Kuparuk rig fleet, 2013-2014
- Two new-build rigs delivered in 2016
 - Doyon 142 and Nabors CDR3
 - Averaged 5 rigs at Kuparuk/Alpine during 2016
- Sanctioned ERD Rig in 2016
- North East West Sak – DS1H
- New drill site at Kuparuk (DS 2S) – on stream a year ago
- Sanctioned 18 additional wells at Alpine CD5
- Sanctioned Greater Mooses Tooth 1 in 2015
- Permitting Greater Mooses Tooth 2
- Willow discovery and acquisition of 737,000 state and federal acres in December 2016 lease sale
- Significant other industry investment



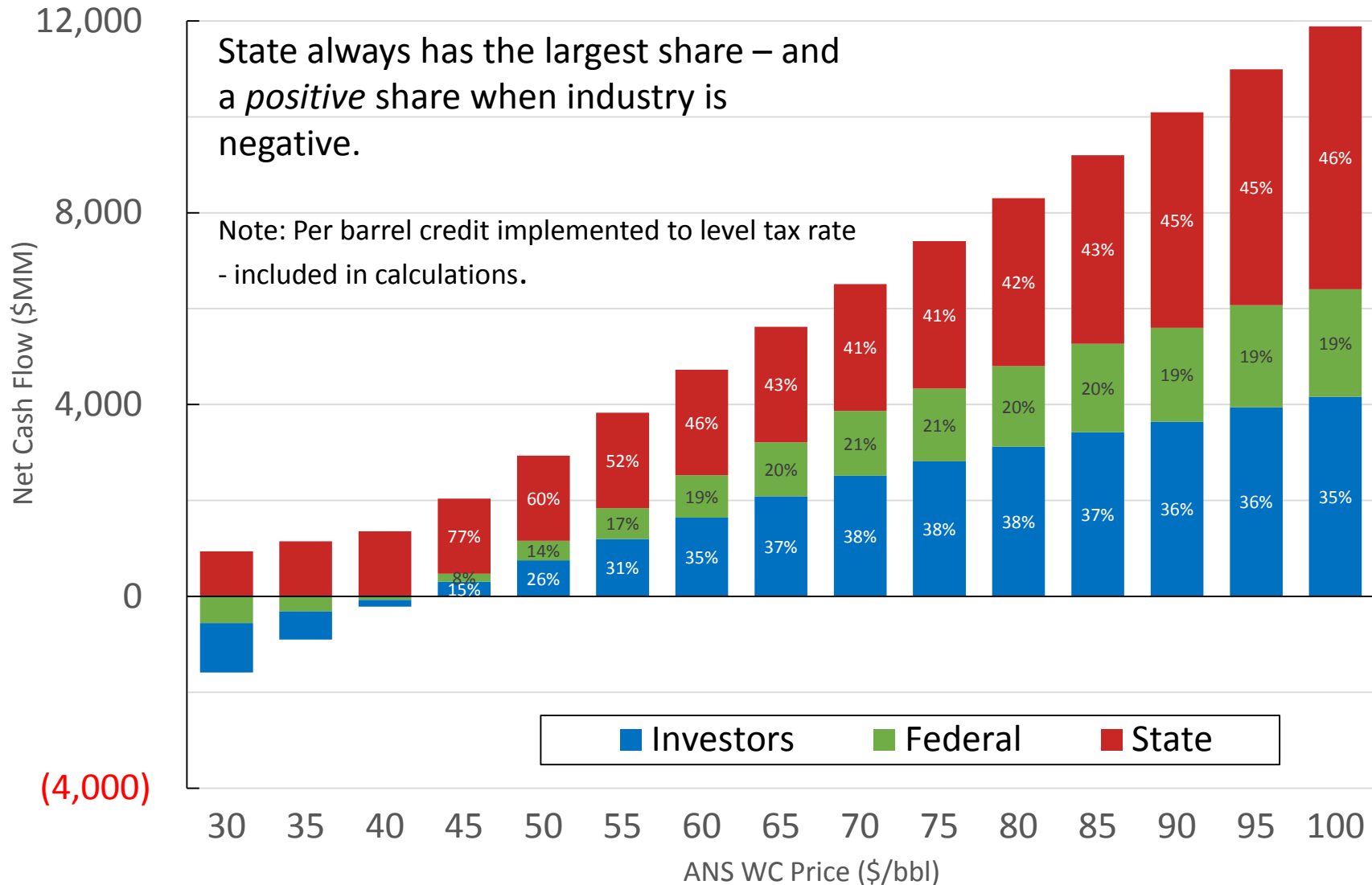
Alaska Capex as % of COP Total (\$B)



North Slope oil production grew 2% in 2016, the first growth in 14 years.

Source: Alyeska Pipeline Service Company Press Release December 30, 2016

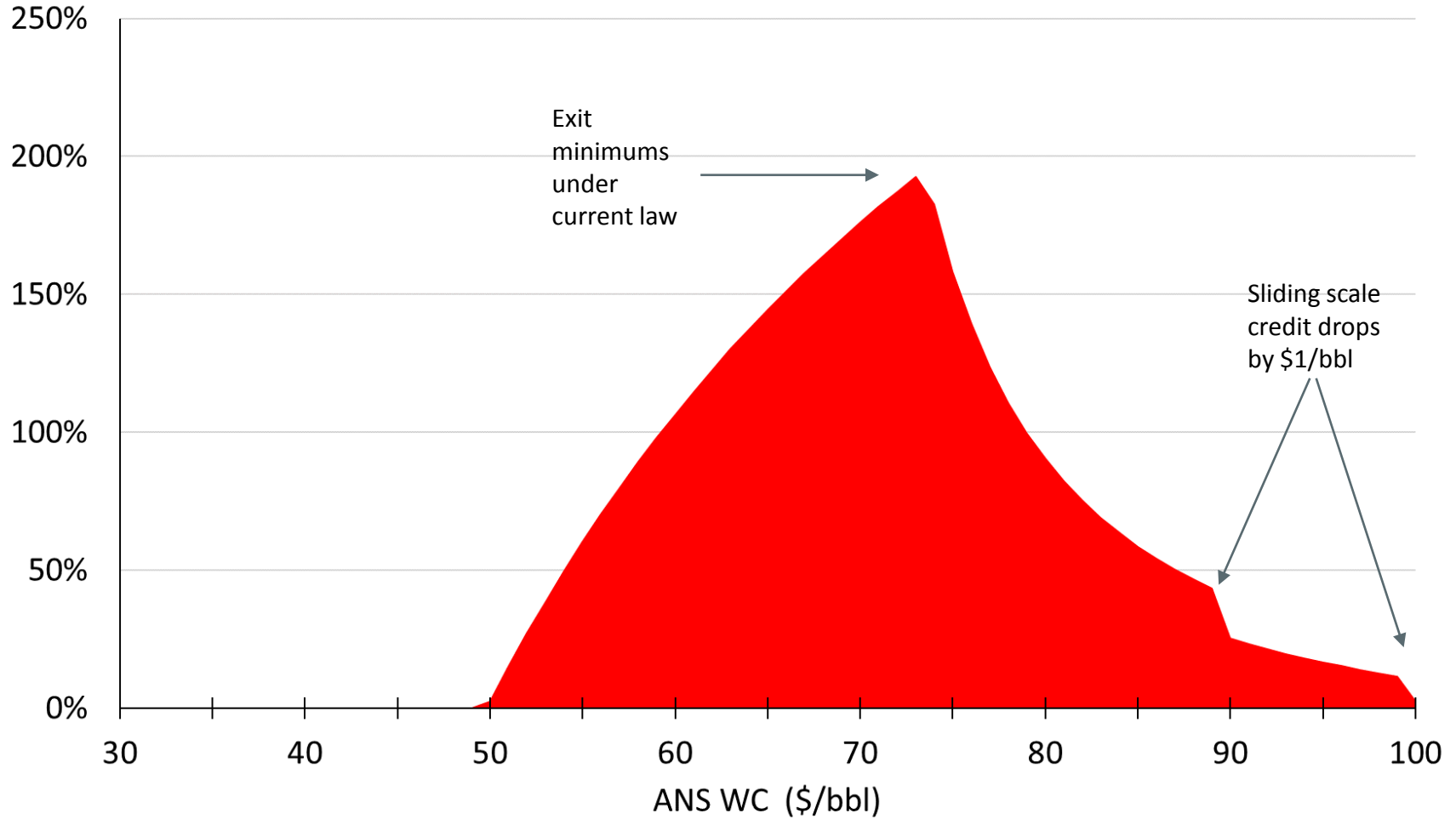
FY 2017 Producer Share vs ANS WC - Fall 2016 RSB Assumptions



State share shown excludes tax credits other than per barrel tax credits.

CSHB111(FIN) Represents a Significant Increase in Production Taxes

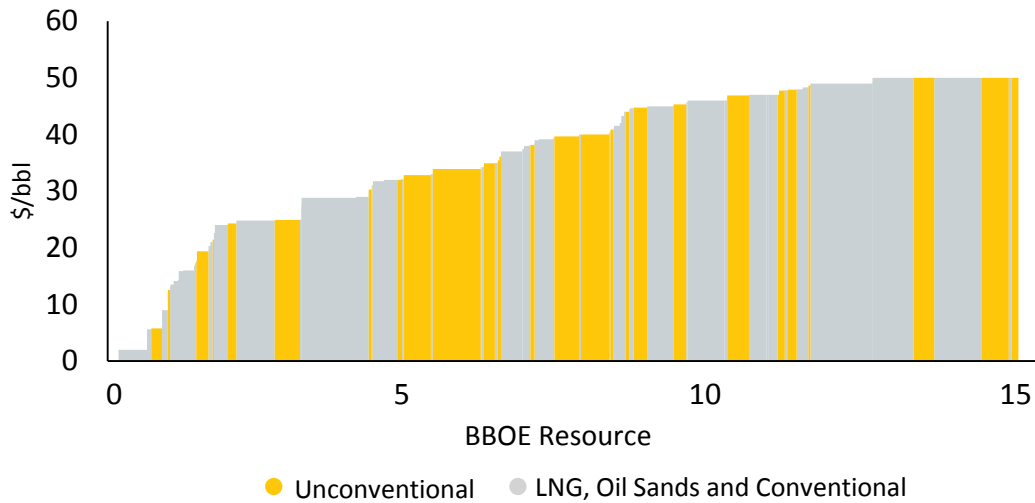
Production Tax Increase - CSHB111(FIN)



Assumptions: Fall 2016 Revenue Sources Book Data for FY 2018

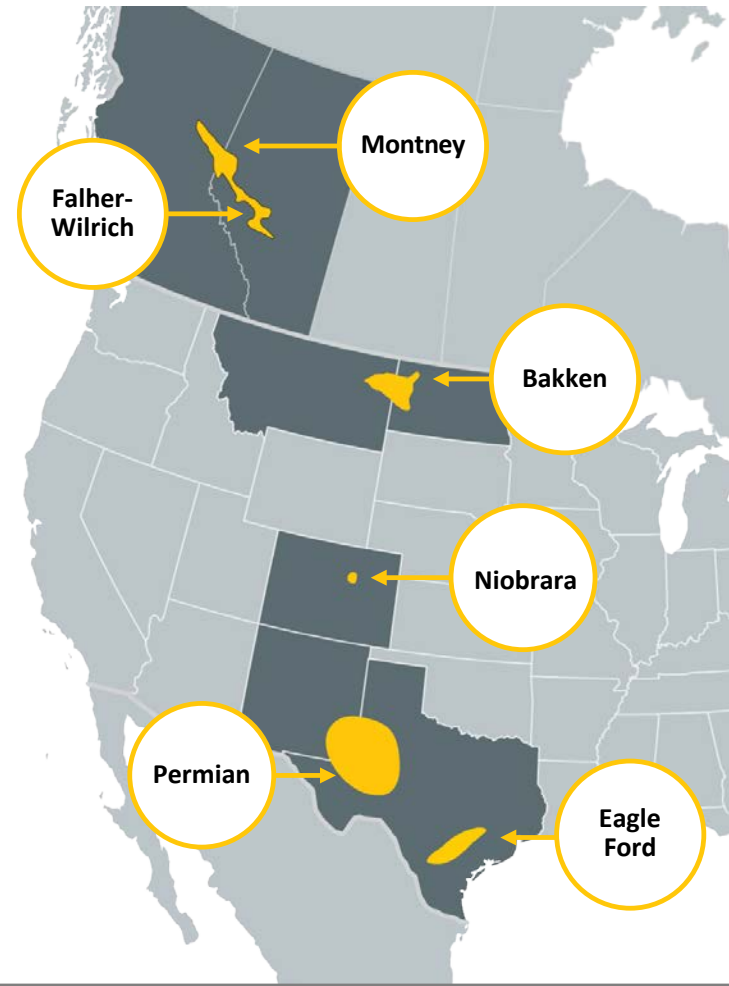
Unconventional: Top-Tier Resource Base and Growing¹

Cost of Supply (\$/bbl)



- Flexible, short-cycle investments with low execution risk
- High-margin production drives cash flow growth
- Prudent development pace maximizes value

~7 BBOE RESOURCE
~\$35/BBL AVERAGE COST OF SUPPLY



¹ Source is ConocoPhillips 2016 Analyst & Investor Meeting (November 10, 2016)

CSHB 111(FIN) – Significant Change in the Cost of Business

- CSHB111(FIN) represents a significant tax increase in an already high cost environment – moves Alaska in the wrong direction
 - 100% to 200% increase in production taxes at prices between \$60 and \$80/bbl
- Interest change punitive – State largely controls the pace of audits
- Hard floor negatively impacts investments in periods of low oil prices
- NOL provisions need improvement
 - No objection to recharacterizing as deductions vs. credits
 - Ring fencing and diminution of NOLs forces investors to reduce spending in low price environments to avoid NOLs
 - Disclosure requirements potentially violate taxpayer confidentiality
 - Potential for administrative burden/controversy

Increasing taxes makes Alaska less competitive