Cook Inlet Activity Highlights

➢ Glacier Oil & Gas to begin drilling operations on the Osprey in June (south of Trading Bay)
➢ Hilcorp planning workover campaign at Trading Bay (Monopod)
➢ Hilcorp to conduct facility and pipeline inspection and integrity maintenance on all locations

➢ Hilcorp plans to drill and complete a two string sidetrack out of Beaver Creek
➢ Seaview Prospect exploration in southern Cook Inlet in 2019
➢ Jack-Up drilling program at Granite Point Field; up to 3 wells
Interior/Valdez

Alyeska pipeline
SERVICE COMPANY

PETRO ST★R INC.
Refining in Alaska

**Petro Star Valdez Refinery**
- 60,000 barrel/day crude distillation unit
- 12,000 barrel/day distillate hydrotreater hydrotreater and associated process units (Clean Fuels Unit)
- Primary products are commercial & military spec jet fuels and ULSD (JP-5 for USCG Kodiak)

**Petro Star North Pole Refinery**
- 22,000 barrel/day crude distillation unit
- Primary products include commercial and military spec jet fuels, home heating oil, low-sulfur diesel, asphalt oil and turbine fuel

**Marathon Nikiski Refinery**
- 68,000 barrel/day refinery
- Primary products include gasoline, gasoline blend stocks, jet fuel, diesel fuel, heavy fuel oils, propane and asphalt
- 31 Tesoro and other retail locations across the state
North Slope
Hilcorp Moose Pad production started on April 6, 2019
Currently approximately 3,000 barrels per day, with ultimate recovery estimated at 62 million barrels of oil
Facility cost: $140 million; Drilling cost: $310 million

Glacier planning rig workover at Badami in summer 2019.
Currently, Glacier permitting for drilling gravel pad for hopeful approval later in the year.
Eni planning to drill 3 new wells in Harrison Bay Unit as well as add laterals to as many as 8 existing single wells at Spy Island.
Repsol is partnering with Oil Search on their planned wells in Pikka Unit.
Production Decline has Stemmed

Policy Impacts on TAPS Throughput

- 185,600 barrels/day

Record high oil prices

- 146,300 barrels/day

Low oil prices

*FY14 actuals based on DOR Fall 2018 Revenue Sources Book; FY19-FY20 SB21 forecast based on DOR Spring 2019 RSB
*FY14-FY20 ACES production history and forecast assumptions based on DOR Fall 2012 Revenue Sources Book
Alaska: 6th in U.S. Production

Six Month Average – Daily Production
August 2018 – January 2019

- **California**: 463,000
- **Colorado**: 494,000
- **Oklahoma**: 576,000
- **North Dakota**: 1.35 million
- **Texas**: 4.76 million

**New Mexico**: 776,000

United States - Largest Producer in World

# Oil & Gas Produces Most Revenue

## Projected FY 2020 Oil Revenue

<table>
<thead>
<tr>
<th>Category</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td></td>
</tr>
<tr>
<td>Royalties</td>
<td>$876.5 M</td>
</tr>
<tr>
<td>Production Tax</td>
<td>$524.7 M</td>
</tr>
<tr>
<td>Corporate Income Tax</td>
<td>$210.0 M</td>
</tr>
<tr>
<td>Property Tax to State</td>
<td>$121.0 M</td>
</tr>
<tr>
<td>Other</td>
<td>$22.7 M</td>
</tr>
<tr>
<td><strong>Total Unrestricted</strong></td>
<td>$1.754 B</td>
</tr>
<tr>
<td>Restricted</td>
<td></td>
</tr>
<tr>
<td>Royalties to Permanent Fund</td>
<td>$391.8 M</td>
</tr>
<tr>
<td>Royalties to Public School Fund</td>
<td>$6.5 M</td>
</tr>
<tr>
<td>CBRF Deposits</td>
<td>$150.0 M</td>
</tr>
<tr>
<td>NPRA Rents/Etc.</td>
<td>$10.8 M</td>
</tr>
<tr>
<td><strong>Total Restricted</strong></td>
<td>$559.1 M</td>
</tr>
<tr>
<td><strong>TOTAL Oil Revenue to State</strong></td>
<td>$2.314 B</td>
</tr>
</tbody>
</table>

### Property Tax to Local Governments

- **$439.9 Million**

## Examples of Other Projected State Revenue for FY 2020*

<table>
<thead>
<tr>
<th>Category</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td></td>
</tr>
<tr>
<td>Corporate Income Tax</td>
<td>$135.0 M</td>
</tr>
<tr>
<td>Insurance Premium Tax</td>
<td>$58.2 M</td>
</tr>
<tr>
<td>Mining Tax</td>
<td>$42.3 M</td>
</tr>
<tr>
<td>Tobacco Tax</td>
<td>$40.1 M</td>
</tr>
<tr>
<td>Fisheries Tax</td>
<td>$22.3 M</td>
</tr>
<tr>
<td>Alcohol Tax</td>
<td>$20.7 M</td>
</tr>
<tr>
<td>Large Passenger Vessel Gambling</td>
<td>$10.7 M</td>
</tr>
<tr>
<td>Marijuana Tax</td>
<td>$5.3 M</td>
</tr>
<tr>
<td>Other (charitable game, etc.)</td>
<td>$4.0 M</td>
</tr>
<tr>
<td><strong>Restricted</strong></td>
<td></td>
</tr>
<tr>
<td>Motor Fuel Tax</td>
<td>$35.8 M</td>
</tr>
<tr>
<td>Alcohol Beverage Tax</td>
<td>$20.1 M</td>
</tr>
<tr>
<td>Marijuana Tax</td>
<td>$15.9 M</td>
</tr>
<tr>
<td>Vehicle Rental Tax</td>
<td>$11.2 M</td>
</tr>
<tr>
<td><strong>Mining Revenue to Local Governments</strong></td>
<td>$34.0 M</td>
</tr>
</tbody>
</table>

*This list does not include all revenues to the state*
Projected FY 2020 Revenue Comparison

Source: DOR Revenue Sources Book & Presentations to House Resources Committee, April 2018
Oil & Gas Industry Produces Most Jobs

- Direct quotes from McDowell reports:

  “No other private sector comes close to generating more economic impact in Alaska than Alaska’s oil and gas industry.”

  “The seafood industry directly employs more workers than any other private sector industry. Including multiplier effects, it is the third-largest basic sector job creator in Alaska after the oil and gas and visitor industries.”

- Oil & gas represents nearly a third of all wage and salary jobs in Alaska; meaning oil and gas creates more jobs than seafood, visitor and mining combined.

Total Jobs & Income Created by Basic Sector Industries in Alaska

<table>
<thead>
<tr>
<th>Industry</th>
<th>Jobs</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil &amp; Gas</td>
<td>103,900</td>
<td>$6.0 Billion</td>
</tr>
<tr>
<td>Seafood</td>
<td>36,800</td>
<td>$2.0 Billion</td>
</tr>
<tr>
<td>Visitor</td>
<td>39,700</td>
<td>$1.4 Billion</td>
</tr>
<tr>
<td>Mining</td>
<td>8,600</td>
<td>$675 Million</td>
</tr>
</tbody>
</table>

Basic sectors bring new income into the economy. The industries above drive Alaska's economy, collectively accounting for approximately 40% of total employment in Alaska.

Note: Figures shown above include multiplier effects. Source: McDowell Group economic impact studies (2016-2017).
The oil and gas industry spent $4.6 billion with over 1,000 Alaskan vendors in 2016.

Primary oil and gas companies directly hired 4,275 Alaskan residents, paying $749 million in wages.

Alaska residents represent 85% of Primary company total hire.

For every dollar earned by employees of the Primary Companies, a total of $8 additional wages are generated in Alaska.
Future: World Needs Oil & Gas

Figure 3.5 - Global oil demand by sector in the New Policies Scenario

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2017</th>
<th>2040</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil</td>
<td>77 mb/d</td>
<td>95 mb/d</td>
<td>106 mb/d</td>
</tr>
</tbody>
</table>

- Petrochemicals: 10%
- Aviation and shipping: 10%
- Trucks: 8%
- Cars: 15%
- Industry: 8%
- Power: 10%
- Buildings: 18%
- Other: 20%

Figure 3.13 - Oil production with no new investment from 2018 and demand in the New Policies and Sustainable Development scenarios

- Production
  - Other
  - EHOB
  - NGLs
  - Tight oil
  - Conventional crude

- Demand
  - NPS
  - FIES
  - SDS

With no new investment, global oil production would halve by 2025: an average loss of nearly 6 mb/d every year.

Note: NPS = New Policies Scenario; FIES = Future is Electric Scenario; SDS = Sustainable Development Scenario.

Promoting energy security is an important policy consideration; electrification, together with energy efficiency and other alternative fuels, can help achieve this goal.

Future: Alaska Needs to Compete

Expanding investments in oil and gas exploration

Global oil and gas capital expenditures

US$ millions

Bloomberg
Occidental Bids $38 Billion for Anadarko in Plan to Beat Chevron
By Simon Casey and Kevin Crowley
April 24, 2019 3:10 AM AKDT Updated on April 24, 2019 2:56 PM AKDT

THE WALL STREET JOURNAL
Chevron, Exxon Mobil Tighten Their Grip on Fracking
Chevron to double production in Permian Basin in next five years; Exxon to boost Permian output to one million barrels a day by as early as 2024
By Bradley Olson
Updated March 5, 2019 4:34 p.m. ET

Forbes
New Oil And Gas Project Investment Set To Triple In 2019's Stable Climes
Future: Industry Needs Great People