AOGA Membership

- CAELUS Energy Alaska
- ExxonMobil
- Hilcorp
- bp
- Petro Star Inc.
- Chevron
- Glacier
- Tesoro
- FURIE Operating Alaska LLC
- Alyeska Pipeline Service Company
- BlueCrest Energy
North Slope Production Increase!

UP 3% IN THE LAST FISCAL YEAR!

#MoreIsBetter4AK

OIL PRODUCTION UP BY 3%
Cook Inlet Production Up!

Cook Inlet Production
2005 - 2016
In thousands of barrels per day

Source: DOR Fall Sources Book – 2013 & 2016
U.S. & World Need Oil & Gas

US Consumption by Energy Source

- 2017 World Energy – 54.7% oil and gas
- 2040 World Energy – 56% oil and gas
- Renewables as a world energy sources expected to grow by 3% over next 2 decades

- 2017 US Consumption – 67% oil and gas
- 2050 US Consumption – 69.5% oil and gas
- US Consumption of renewables forecasted to increase by almost 6% over next 3 decades
Alaska has Mega Resources

<table>
<thead>
<tr>
<th>RESOURCE POTENTIAL</th>
<th>STATE LAND</th>
<th>FEDERAL LAND</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Cook Inlet</strong></td>
<td><strong>Offshore Arctic</strong></td>
</tr>
<tr>
<td></td>
<td>599 mbo and 19 tcf gas</td>
<td>27 bbo and 132 tcf gas</td>
</tr>
<tr>
<td></td>
<td><strong>Onshore North Slope</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Conventional: 5 bbo and 35 tcf gas</td>
<td><strong>NPR-A</strong></td>
</tr>
<tr>
<td></td>
<td>Heavy/Viscous: 24-33 bbo</td>
<td>896 mbo and 53 tcf gas</td>
</tr>
<tr>
<td></td>
<td>Unconventional: 2 bbo and 12 tcf gas</td>
<td><strong>ANWR</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>10 bbo and 3.5 tcf gas</td>
</tr>
</tbody>
</table>

mbo – million barrels of oil  
bbo – billion barrels of oil  
tcf – trillion cubic feet
How Big is Alaska’s Potential?

• 1/3 of all America’s oil and gas reserves are in Alaska
• Approximately 75% of the global arctic resource potential is offshore
• Over 80% of US Arctic offshore conventional undiscovered potential
• Estimated 23-27 billion barrels of oil (bbo)
  • Trans-Alaska Pipeline - 40 years - 17 bbo
• Estimated 104-132 trillion cubic feet of gas (tcf)
Investment Had Been Flat
Investment Increased at Low Prices

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Oil Price ($millions)</th>
<th>Spending ($millions)</th>
<th>Production / day (000)</th>
<th>Production / year (million)</th>
<th>Per Barrel</th>
<th>Tarriff &amp; Transport</th>
<th>Opex &amp; Capex</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>71.76</td>
<td>3,201</td>
<td>734.2</td>
<td>268.0</td>
<td></td>
<td>5.40</td>
<td>11.94</td>
<td>17.34</td>
</tr>
<tr>
<td>2008</td>
<td>98.18</td>
<td>3,560</td>
<td>715.4</td>
<td>261.1</td>
<td></td>
<td>6.05</td>
<td>13.63</td>
<td>19.68</td>
</tr>
<tr>
<td>2009</td>
<td>61.27</td>
<td>3,688</td>
<td>692.8</td>
<td>252.9</td>
<td></td>
<td>6.38</td>
<td>14.58</td>
<td>20.96</td>
</tr>
<tr>
<td>2010</td>
<td>79.28</td>
<td>3,525</td>
<td>642.6</td>
<td>234.5</td>
<td></td>
<td>6.01</td>
<td>15.03</td>
<td>21.04</td>
</tr>
<tr>
<td>2011</td>
<td>109.86</td>
<td>3,858</td>
<td>599.9</td>
<td>219.0</td>
<td></td>
<td>6.67</td>
<td>17.62</td>
<td>24.29</td>
</tr>
<tr>
<td>2012</td>
<td>110.84</td>
<td>2,975</td>
<td>579.3</td>
<td>211.4</td>
<td></td>
<td>8.37</td>
<td>14.07</td>
<td>22.44</td>
</tr>
<tr>
<td>2013</td>
<td>107.6</td>
<td>4,442</td>
<td>531.6</td>
<td>194.0</td>
<td></td>
<td>9.76</td>
<td>22.89</td>
<td>32.65</td>
</tr>
<tr>
<td>2014</td>
<td>97.74</td>
<td>5,212</td>
<td>530.4</td>
<td>193.6</td>
<td></td>
<td>10.42</td>
<td>26.92</td>
<td>37.34</td>
</tr>
<tr>
<td>2015</td>
<td>52.09</td>
<td>5,615</td>
<td>501.0</td>
<td>182.9</td>
<td></td>
<td>9.72</td>
<td>30.71</td>
<td>40.43</td>
</tr>
<tr>
<td>2016</td>
<td>43.04</td>
<td>4,842</td>
<td>514.9</td>
<td>187.9</td>
<td></td>
<td>9.88</td>
<td>25.76</td>
<td>35.64</td>
</tr>
</tbody>
</table>

Source: DOR Jan 2017 Presentation & Revenue Sources Book
Recent Discoveries Add to Potential

“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”
Alaska Journal of Commerce, September 15, 2015

“Production begins at Point Thomson on Alaska’s North Slope”
Oil & Gas Journal, April 22, 2016

“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 Needs Investment

Alaska Oil Production 2000 - 2040

Source: Energy Information Administration, Fall 2016
Alaska Only Region Increasing Take in 2016

Government Action v. Oil Price

Fiscal Incentives
Increase of Government Take

WTI Price - US dollar per barrel

Source: IHS Energy, May 2016
What is “Fair Share”?

Source: DOR Revenue Sources Book Fall 2016
House Majority Goals

There is no silver bullet for solving our fiscal problem. To maintain the Alaska that we want to live in, we need a durable solution that includes a combination of measures: a Percent of Market Value draw from the Earnings Reserve Account (within the Alaska Permanent Fund); a reasonable broad-based tax; a moderate and protected PFD payout; and a restructuring of the oil and gas tax credits. Implemented together, these four pillars will lay the foundation for a prosperous future for all Alaskans.

– Reps. Paul Seaton & Neal Foster (House Finance Co-Chairs)

Alaska Dispatch News, 2/14/17
Governor Walker’s Goals

Alaska is facing annual deficits of more than $3 billion – even after budget cuts of 44 percent in the past four years. Without a plan we’ll burn through our budget reserves in less than two years. *The New Sustainable Alaska Plan* calls for a combination of

1. Spending reductions
2. Sustainable use of Permanent Fund earnings
3. Modest tax increases
4. **Oil and gas tax credit reform**

[https://gov.alaska.gov/administration-focus/new-sustainable-alaska-plan/](https://gov.alaska.gov/administration-focus/new-sustainable-alaska-plan/)
“This legislation ending our tax credit program is critical, now, to reduce our cash exposure and protect the state’s treasury. Without this bill, the state would be on the hook to make cash payments of $150 to $200 million per year, indefinitely, to the eligible small and new companies. We cannot afford to continue this practice.”

- Sen. Anna MacKinnon, Senate Finance Co-Chair

Source: Senate Majority Press Release, 5/15/17
## Majority of Alaska’s Changes Favor the State

<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>HB 111</td>
<td>????</td>
<td>????</td>
</tr>
</tbody>
</table>

* HB 111 would be the 7th change in 12 years – most in “wrong direction”
#PrudhoeProud #TAPSPride

FOUNDED ON GRIT.

RAISED ON DETERMINATION.

FUELED BY ALASKA.

CELEBRATE THE SPIRIT OF ALASKA

AOGA
“Couldn’t Be Done…”