The State of the Oil & Gas Industry
Kara Moriarty- Alaska Oil & Gas Association
Anchorage Rotary Club
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Myth #1: Alaska is in its last days of an oil economy; decline continues
Fact: Production CAN be increased with good policies
Cook Inlet oil production up 102%

Cook Inlet oil production 2005-2015

Production (thousand bbls/day)

Source: DOR, Fall 2015 RSB
Lots of oil left to produce in Alaska! Question: Do our policies support developing it?

<table>
<thead>
<tr>
<th>RESOURCE POTENTIAL</th>
<th>STATE LAND</th>
<th>FEDERAL LAND</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Cook Inlet</td>
<td>Offshore Arctic</td>
</tr>
<tr>
<td></td>
<td>599 mbo and 19 tcf gas</td>
<td>27 bbo and 132 tcf gas</td>
</tr>
<tr>
<td>Onshore North Slope</td>
<td>Conventional: 5 bbo and 35 tcf gas</td>
<td>NPR-A</td>
</tr>
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<td></td>
<td>Heavy/Viscous: 24-33 bbo</td>
<td>896 mbo and 53 tcf gas</td>
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<tr>
<td></td>
<td>Unconventional: 2 bbo and 12 tcf gas</td>
<td>ANWR</td>
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<td>10 bbo and 3.5 tcf gas</td>
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mbo - million barrels of oil  bbo - billion barrels of oil  tcf - trillion cubic feet
Myth #2: Oil tax credits are “free money”, given to the big companies and are given to companies who can take the money and run.
TAX CREDITS

HOW DO OIL & GAS COMPANIES EARN THEM?

1. PLANNING
   LAND OF OPPORTUNITY
   COMPANY CREATES PLANS

2. INVESTMENT & WORK
   EXPLORE
   NEW WELLS
   HIRE ALASKANS
   PRODUCE NEW OIL

3. STATE BENEFITS
   ALASKA ECONOMY GROWS VIA DOLLARS INVESTED
   NEW JOBS
   NEW TAX REVENUE
   MORE OIL

4. CREDIT APPLICATION
   COMPANY APPLIES FOR CREDIT
   STATE ISSUES CERTIFICATE ON APPROVED EXPENSES

5. CREDIT EARNED
   STATE BENEFITS:
   NEW ROYALTIES (for PFD)

ALASKA
OPEN FOR BUSINESS?
Fact: Tax credits are earned by smaller, new, or independent oil companies trying to gain a foothold in Alaska:

- Companies must spend money in Alaska FIRST
- Work is done: seismic testing, wells drilled, roads built, etc.
- AFTER work is complete, companies **apply** for credits
- Not all work qualifies for credits
- Large oil companies do not receive cashable credits
Myth #3: There was no tax credit reform last session
Fact: House Bill 247 represents a **major shift** in tax policy:

- Cook Inlet credits are reduced by half in 2017, eliminated in 2018
- Limits are placed on how many tax credits one company can earn
- Interest rate calculations changed
- Industry opposed the bill from the beginning and in the end
Myth #4: Oil job losses in Alaska don’t matter; most employees are nonresidents
Fact: The Alaska hire rate in the oil & gas industry averages **70 percent**

- This number **INCLUDES** contractors
- Among direct companies, number is closer to 90 percent
- Companies **PREFER** to hire Alaskans: makes good business sense
- Estimate 3,000 oil jobs lost so far in this downturn
- These are Alaskans: Our friends, neighbors
- No other state tracks resident hire
100% Alaska hire for long-term field operations employees.
Myth #5: Nothing exciting or important is happening on the North Slope these days
Fact: Activity has increased after Cook Inlet Recovery Act (2009) & SB 21 (2013)
North Slope Oil and Gas Activity
State of Alaska, Department of Natural Resources, Division of Oil and Gas, as of May 2016

- ConocoPhillips
- Drilled 19 wells in 2015, 17 additional wells planned in 2016.
- Planning 12 additional wells beyond initial 10-well development plan; expect to reach 10,000 BOPD target in 2016.

- ConocoPhillips Alaska, Inc.
- Drilled Timna-3 in 2015 and 16 additional wells in 2016.
- Planning to drill 1 additional well in 2016.

- BP Exploration Alaska
- Released three new well location releases.

- ConocoPhillips-Kuparuk River
- First production at Kuparuk River in 2015.

- Brooks Range Petroleum
- Received approval to drill 1 well in 2016.

- Department of Natural Resources
- Received approval for 2015 lease sale.

- Division of Oil and Gas
- Released lease sale results for 2015.

- Bureau of Land Management
- Issued a call for nominations and comments for 2016 NPR-A lease sale.

- National Petroleum Reserve - Alaska
- Opened 143 parcels for lease in 2016.

- Arctic National Wildlife Refuge
- Exploratory Wells Spud
- 2016: 2 wells
- 2015: 1 well
- 2014: 1 well

- Accomplishments
- Drilled 1 well in 2016.
- Conducting 2016 Kuparuk River 3D seismic survey.
- Released 2016 Kuparuk River lease sale.

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Some Bright Spots in Otherwise Dim Light

• Point Thomson has begun production
• ConocoPhillips’ CD-5 now in production in NPR-A
• Hilcorp in permitting phase for Liberty opportunity
• BlueCrest first commercial sale of oil from Cosmo
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