AOGA MEMBER COMPANIES
BRIEF HISTORY OF OIL IN ALASKA

- First discovery of commercial quantities of oil in Alaska (1902)
- 1959: Statehood for Alaska!
- 1961: First oil from Swanson River starts flowing
- Alaska faces a budget deficit
- State Legislature enacts a personal income tax, alcohol taxes and others taxes to fill the gap
- Exploration on the Kenai Peninsula and in Cook Inlet increases
DISCOVERY OF PRUDHOE BAY

- 1968: Atlantic Richfield and Humble Oil announce discovery of Prudhoe Bay, the largest oilfield in North America
- 1969: Plans to build a Trans Alaska Pipeline announced
- State takes in $900 million in the 23rd North Slope lease sale
- 1974: Construction of the pipeline begins – largest construction project ever undertaken
- 1976: Alaskans vote to create the Permanent Fund
- 1977: TAPS construction complete
- 1980: Alaskans repeal income tax
A PROSPEROUS PARTNERSHIP

- No State Income Tax
- No State Sales Tax
- Permanent Fund Dividend
  - Payments since 1982
  - $37,037

1 oil and gas industry job generates 20 other jobs through industry spending:
9 private sector jobs and 11 government jobs.

Source: “The Role of the Oil and Gas Industry in Alaska’s Economy,” McDowell Group, May 2014

“...without oil, [Alaska’s] economy today would be only ½ the size.”
University of Alaska, Anchorage, ISEER report, Prof. Scot Goldsmith, February 2011
SINGLE-LARGEST STATE TAXPAYER

- State has collected more than $170+ billion since Statehood
- FY 2013:
  - $6.3 billion for about 734,000 residents
  - 92% of state revenues

About 90% of state tax revenues come from the oil and gas industry

Source: Alaska Dept. of Revenue, April 5, 2013 presentation
Approximately 7 percent of the nation's domestic oil production carried on TAPS

17 billion barrels of crude oil transported & counting

20,000+ tankers loaded

800 miles long

Peak Production: 2.1 million/bpd took 4 days to travel down the line

Today’s: ~534,000 bpd - 18 days
<table>
<thead>
<tr>
<th>RESOURCE POTENTIAL</th>
<th>STATE LAND</th>
<th>FEDERAL LAND</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cook Inlet</strong></td>
<td>599 mbo and 19 tcf gas</td>
<td></td>
</tr>
<tr>
<td><strong>Onshore North Slope</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
  Conventional: 5 bbo and 35 tcf gas  
  Heavy/Viscous: 24-33 bbo  
  Unconventional: 2 bbo and 12 tcf gas |
| **Offshore Arctic** | 27 bbo and 132 tcf gas |
| **NPR-A** | 896 mbo and 53 tcf gas |
| **ANWR** | 10 bbo and 3.5 tcf gas |

**mbo** – million barrels of oil  
**bbo** – billion barrels of oil  
**tcf** – trillion cubic feet
ALASKA DROPPED TO 4TH PLACE

Daily Oil Production in the Top Six

Thousands of Barrels

SOURCE: U.S. ENERGY INFORMATION ADMINISTRATION
INVEST LAGGED IN RECENT YEARS
• April 2013: Oil tax reform- SB21
• Summer of 2014: Referendum to repeal oil tax reform bill
• August 2014: Repeal defeated
Tax Reform for North Slope – It’s Working

“Production exceeds Revenue forecast”
Alaska Journal of Commerce
April 11, 2014

“Oil and Construction Jobs on the Rise”
KSRM Radio
April 15, 2014

“Oilpatch jobs at record as industry hustles new projects”
Alaska Economic Report
April 13, 2014

“BP plans to invest additional $1 billion in Alaska”
Anchorage Daily News, June 2, 2013

“Repsol plans three more wells, three more rigs”
Alaska Journal of Commerce, October 17, 2013

“ConocoPhillips is planning a new drill site at Kuparuk River”
Alaska Public Radio Network, November 1, 2013
NORTH SLOPE ONSHORE – WHAT’S PLANNED?

- Drilling to continue at Spy Island for potential new expansion
- Additional exploration wells in 2015 to delineate prospect
- Construction of Pt Thomson field – on track for 2016 production
- New Rig at Kuparuk & $1 billion in additional investment
- Production expected in 2015 in NPRA

- New player on the North Slope – acquiring 100% of 2 smaller fields & 50% of 2 others
- Conducting seismic within Prudhoe – adding a new rig in 2015, another in 2016
- Over $1 billion more
- Evaluating new development field – potential $1 Billion investment

- Over $1 billion more
Mega Potential

- 27 billion barrels of oil
- 132 trillion cubic feet gas
- Prefer the pipeline to move oil
- 54,700 potential U.S. jobs
- Not a new basin – drilled over 30 wells in the 1980’s
Incredible Opportunity that Must be Realized

Oil and gas in the Arctic

Area north of the Arctic Circle has an estimated 90 billion barrels of undiscovered oil.

Probability of finding oil, gas

- FINLAND
- SWEDEN
- NORWAY
- ICELAND
- RUSSIA
- GREENLAND
- CANADA
- ALASKA

Arctic accounts for 13% of undiscovered oil, 30% of undiscovered natural gas, 20% of undiscovered natural gas liquids

<table>
<thead>
<tr>
<th>Petroleum Province</th>
<th>Crude Oil (billion barrels)</th>
<th>Natural Gas (trillion cubic feet)</th>
<th>Natural Gas Liquids (billion barrels)</th>
<th>Total (oil equivalent in billions of barrels)</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Siberian Basin</td>
<td>3.66</td>
<td>651.50</td>
<td>20.33</td>
<td>132.57</td>
</tr>
<tr>
<td>Arctic Alaska</td>
<td>29.96</td>
<td>221.40</td>
<td>5.90</td>
<td>72.77</td>
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<tr>
<td>East Barents Basin</td>
<td>7.41</td>
<td>317.56</td>
<td>1.42</td>
<td>61.76</td>
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<tr>
<td>East Greenland Rift Basin</td>
<td>8.90</td>
<td>86.18</td>
<td>8.12</td>
<td>31.39</td>
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<tr>
<td>Yenisey-Khatanga Basin</td>
<td>5.58</td>
<td>99.96</td>
<td>2.68</td>
<td>24.92</td>
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<tr>
<td>Amerasia Basin</td>
<td>9.72</td>
<td>56.89</td>
<td>0.54</td>
<td>19.75</td>
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<tr>
<td>West Greenland-East Canada</td>
<td>7.27</td>
<td>51.82</td>
<td>1.15</td>
<td>17.06</td>
</tr>
</tbody>
</table>
Cook Inlet Oil and Gas Production

- Heat and lights for 80% of Alaska residents
- November 2006: 9 rigs
- Rolling “brown outs”
- 20 rigs in May 2013
COOK INLET – WHAT’S PLANNED?

- Ongoing increased investment – resulting in new exploration/appraisal wells & increased production
- Applied for five year offshore seismic period with National Marine Fisheries Service
- Ongoing work for new gas production platform
- Acquired additional state acreage with $1.5 million work commitment
- Constructing new subsea pipeline to Tesoro refinery
- Plan to drill 3 delineation wells – planning for onshore and offshore development
- Seeking financing to restart Nikiski fertilizer plant
- LNG export reauthorized by DOE of up to 40 BCF thru Feb 2016
THE FUTURE- ALASKA LNG PROJECT

Potential Benefits

• Single Largest Investment in Alaska’s history - $45-65 billion

• Creates 15,000 new jobs during construction, 1000+ jobs long-term

• Generates Billions in new Tax Revenue

• Provides Natural Gas to Alaskans

• Meets world demand
BALANCE CAN BE ACHIEVED
RECORD EMPLOYMENT AND GROWING

- Primary oil company - 85% Alaska hire rate
- New activity = new opportunities
- Possibility for 20,000 new jobs, short and long term

Oil Industry Employment Keeps Hitting New Highs

Number of oil and gas jobs

- 2004: 8,200
- 2005: 8,700
- 2006: 10,200
- 2007: 11,500
- 2008: 12,800
- 2009: 12,900
- 2010: 12,700
- 2011: 13,000
- 2012: 13,800
- 2013: 14,100
- 2014: 14,300

*estimated
OIL & GAS: FUELING ALASKA’S ECONOMY

• Companies are actively seeking welders, builders, logistics, operations managers, engineers, procurement managers

• Many jobs requiring HS diploma and a clean drug test
JOBS FOR ALASKANS