Where are we today?

- Oil production is ~540,000 barrels/day
- 65-75% of Alaska’s general fund (i.e. spending money) still comes from four different oil revenue sources
- Oil is still the largest tax payer in the state
- Vast amounts of oil left on the North Slope
- Remaining oil is challenging and expensive to produce
- Uncertainty about the future
Good news: North Slope oil production is up!
Continued North Slope oil production increases

2 Years of Production Increases

Source: Fall 2017 Revenue Source Book, Department of Revenue

* FY17 North Slope production increased to 526,500

Source: DNR Presentation 10/25/17
Forecast: Another increase in FY 18

SHORT-TERM FORECAST

FY18 Forecast is 533,000 BOPD
FY17 Actual was 526,000 BOPD

Source: DNR Presentation
10/25/17
North Slope fields produced more oil

Impressive Industry Performance

Source: DNR
Presentation
10/25/17
Improved FY18 10-year production forecast

10-YEAR FORECAST

Source: DNR Presentation 10/25/17
Reality check: Times are tough
Reality check: TAPS is at 25% capacity
Incredible production could be on the horizon...

Source: Caelus presentation to the House Finance Committee re: HB 111 – 3.22.2017
...However, no stability in Alaska oil tax law

<table>
<thead>
<tr>
<th>Dates</th>
<th>Tax Policy Change</th>
<th>Increase / Decrease?</th>
<th>AOGA Position</th>
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<tr>
<td>Feb. 2005- March 2006</td>
<td>Aggregated ELF – Administrative decision altering gross production tax</td>
<td>Tax Increase</td>
<td>Opposed</td>
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<tr>
<td>April 2006- July 2007</td>
<td>Petroleum Production Tax (PPT)</td>
<td>Tax Increase</td>
<td>Opposed Final Version</td>
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<tr>
<td>July 2007- 2013</td>
<td>Alaska’s Clear and Equitable Share (ACES) *</td>
<td>Tax Increase</td>
<td>Opposed</td>
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<tr>
<td>2010</td>
<td>Cook Inlet Recovery Act</td>
<td>Incentives for Industry</td>
<td>Supported</td>
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<td>2014</td>
<td>SB 21</td>
<td>Both</td>
<td>Supported, with concerns</td>
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<tr>
<td>2016</td>
<td>HB 247 – Gov. Walker’s oil tax reform</td>
<td>Tax Increase</td>
<td>Opposed</td>
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<tr>
<td>2017</td>
<td>HB 111</td>
<td>Tax Increase</td>
<td>Opposed</td>
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</tbody>
</table>
Government gets more at every oil price

Source: DOR Revenue Sources Book Fall 2016
The world has changed

Alaska faces growing investment competition
<table>
<thead>
<tr>
<th>RESOURCE POTENTIAL</th>
<th>STATE LAND</th>
<th>FEDERAL LAND</th>
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<tr>
<td><strong>Cook Inlet</strong></td>
<td></td>
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<tr>
<td>599 mbo and 19 tcf gas</td>
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<tr>
<td><strong>Onshore North Slope</strong></td>
<td>Conventional:</td>
<td></td>
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<tr>
<td>5 bbo and 35 tcf gas</td>
<td>Heavy/Viscous:</td>
<td>24-33 bbo</td>
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<td></td>
<td>Unconventional:</td>
<td>2 bbo and 12 tcf gas</td>
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<tr>
<td><strong>Offshore Arctic</strong></td>
<td>27 bbo and 132 tcf gas</td>
<td></td>
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<tr>
<td><strong>NPR-A</strong></td>
<td>8.8 bbo and 39.2 tcf gas</td>
<td></td>
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<tr>
<td><strong>ANWR</strong></td>
<td>10 bbo and 3.5 tcf gas</td>
<td></td>
</tr>
</tbody>
</table>

*mbo - million barrels of oil  bbo - billion barrels of oil  tcf - trillion cubic feet*

*Source: USGS*
Major discovery in Smith Bay

Estimated at ~200,000 barrels per day at peak
Caelus’ Nuna Project

- $1 billion project
- Estimated at ~15,000 bopd
- Currently delayed
Pikka Project
Armstrong, Repsol, & Oil Search

Estimated at ~120,000 barrels per day at peak
Public comment period closed
December 8, 2017

Hilcorp’s Liberty Project

Estimated at ~60,000 barrels per day at peak
Exciting news for 2018: North Slope

**Glacier Oil & Gas**

Future plans at Badami

**eni**

Four exploration wells approved for 2017-2019

*(First well spud on Christmas night!)*
Exciting news for 2018: Middle Earth

**Doyon**

Board approved plan to drill fourth exploration well in the Nenana basin
Exciting news for 2018: Cook Inlet

**Hilcorp**

Plan for new pad & well near Ninilchik

**Blue Crest Energy**

Continued oil production at Cosmopolitan
Exciting news for 2018: Cook Inlet (cont.)

Glacier Oil & Gas
Plans to boost production in 2018

Hilcorp
Industry’s first move in decades into federal waters of Cook Inlet
Alignment with federal administration on “energy dominance”
‘A historic moment’: How ANWR drilling was passed by Congress after decades of effort
Draft 5-Year Expanded Lease Plan

2019–2024 Outer Continental Shelf Oil and Gas Leasing Draft Proposed Program Areas and Sale Years: Alaska

- Planning Area Boundary
- Draft Proposed Program Area
- Presidential Withdrawal Area

The maritime boundaries and limits shown herein, as well as the divisions between planning areas, are for initial planning purposes only and do not necessarily reflect the full extent of U.S. sovereign rights under international and domestic law.
Key Takeaways

• Alaska is not “running out of oil”

• Alaska can remain an oil state if Alaskans so choose

• Policy will drive future investment

• Alaska must compete globally for investment

• We have a window of opportunity with new federal policies

• Policymakers need to hear from Alaskans
“They didn’t know it couldn’t be done...”
Questions? Thank you!

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