OIL INDUSTRY OVERVIEW

2014 Legislators Seminar
December 18, 2014
ALASKA OIL AND GAS ASSOCIATION

• Commonly referred to as AOGA
• Represent the majority of oil and gas exploration, production, refining, marketing, and transportation activities in Alaska
• Professional trade association
• Governed by a Board of Directors made up of member companies
• The voice for the oil and gas industry in Alaska
AOGA MEMBER COMPANIES

- Caelus Energy Alaska
- Hilecorp Alaska, LLC
- Statoil
- XTO Energy
- ExxonMobil
- Tesoro
- Petro Star Inc.
- Repsol
- bp
- Apache
- Eni Petroleum
- Chevron
- Shell
- Alyeska Pipeline Service Company
WHAT DOES AOGA DO?

The voice of the oil and gas industry in Alaska

- Advocate on behalf of industry as a whole
- Testify on legislation affecting industry
- Develop comments and litigate on issues involving endangered species, environmental regulations (e.g. air and water permits), etc.
- Inform the public about oil and gas’ importance to Alaska
- Interact with policymakers
- Occasionally get involved with ballot measures
WHAT DOESN’T AOGA DO?

• AOGA is mandated by its bylaws to remain nonpartisan
• AOGA does not endorse, support or otherwise get involved with political candidates. AOGA does not have a PAC.
• AOGA is not an employment coordinator for oil and gas companies
• AOGA members all must either produce, explore, transport or refine oil and gas; our members are NOT contractors
INDUSTRY PARTNERS

• Contractors = the Alaska Support Industry Alliance ("The Alliance")

• Resource development across industries (mining, fishing, tourism, timber, oil and gas) = Resource Development Council

• Statewide business advocacy, including resource issues = Alaska Chamber (formerly the State Chamber of Commerce)
Throughout the state, there is an annual average of 110,000 jobs and about $6 billion in total wages generated from the oil and gas industry.
LARGEST PRIVATE SECTOR IN ALASKA

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
INVESTMENT LAGGED IN RECENT YEARS

Estimated capital spending* for exploration and development Alaska North Slope vs. U.S. and worldwide for the years 2003 – 2012

* North slope figures based on tax return information; U.S. based on top 50 public companies; worldwide based on top 75 public companies

Source: Econ One Research
• April 2013: Oil tax reform- SB 21
• Summer of 2014: Referendum to repeal oil tax reform bill
• August 2014: Repeal defeated
Over the next two years, we anticipate increased production volumes, which are higher than recent years.” DOR, 12/14

NS oil production forecasted to increase for the first time in over a decade.

MAJOR NORTH SLOPE LEASE SALE

- Lease sale bids quadruple from 2013
- Highest lease sale in 21 years
- Third largest lease sale in state history
- Caelus Energy Alaska most prolific bidder
- $54.4 million

REVENUE SOURCES BOOK

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**NORTH SLOPE ONSHORE – WHAT’S PLANNED?**

- **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**
- **Drilling to continue at Spy Island for potential new expansion**
- **Spending $240m on seismic and drilling this winter**
- **Construction of Pt Thomson field – on track for 2016 production**
- **New Rig at Kuparuk & $1 billion in additional investment**
- **New leases acquired– potential $1 Billion investment**
- **Production expected in 2015 in NPRA**
Cooks 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

- Hilcorp Alaska, LLC
- Blue Crest Energy
- Agrium
- ConocoPhillips
- FURIE Energy
- Apache

Additional notes:

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THE FUTURE – OUTER CONTINENTAL SHELF (OCS)

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
ALASKA’S ARCTIC

- US Chair of Arctic Council
- Alaska Arctic Policy Commission
  - AOGA actively engaged in process
  - Report and Implementation Plan to be submitted to Legislature
- Strategic Recommendations:
  - 1(c)- predictable, timely and efficient state and federal permitting
  - 1(e)- support access and advocate for multiple use of arctic public and ANILCA lands; promote prudent oil and gas exploration and development in the arctic
  - 1(i)- Encourage capital investment through stable, predictable and competitive tax policies
THE FUTURE- ALASKA LNG PROJECT

Potential Benefits

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

• Creates 15,000 new jobs during construction

• Generates Billions in new Tax Revenue

• Provides Natural Gas to Alaskans

• Meets world demand
REFINING IN ALASKA

- 3 in-state refineries owned by two companies
- Refineries tax credits

PERMITTING AND REGULATORY ISSUES

- Possible State issues during next session:
  - DR&R
  - 470 Fund

- Mostly Federal issues
  - Clean Water Act
  - Endangered Species Act
#RESOURCEPROUD