Oil & Gas Tax Status Report, and DOR Production Forecast

Presentation to the House Resources Committee
February 11, 2011
Alaska Department of Revenue
ACES Status Report

• Overview of the Publication

• What We Know

➢ Required report to the legislature under AS 43.55.180

➢ Released January 18, 2011
Overview of ACES Status Report

1. Revenue Generation / Tax Rate
2. Industry Investment
3. Impact on Exploration, Development, Production
4. Industry Employment and New Entrants
5. Use and Expansion of Tax Credits
6. Tax Administration and Compliance
7. Conclusions and Recommendations
What We Know: State Revenue Has Increased

Chart 1: Comparison of Estimated Production Tax Revenue From ACES, PPT and ELF for FY 2007 - FY 2010

Source: Oil & Gas Tax Status Report 2011
What We Know: Companies are spending more

Chart 3: Capital Expenditures, as reported ($millions) and ANS WC Oil Prices

Source: Oil & Gas Tax Status Report 2011
What We Know: Production Is Declining

Annual North Slope Production and Contribution of Fields

HISTORY

FORECAST

Source: Oil & Gas Tax Status Report 2011, and Fall 2010 Revenue Sources Book
What We Know: Exploration is Declining

Source: Alaska Oil & Gas Conservation Commission and Alaska Department of Natural Resources
Conclusion

- Cannot conclusively identify the ACES impact compared to all the other factors in recent years
- We know we have more revenue in the short term
- We know oil production keeps declining
- We know there is little exploration taking place
Fall 2010
Oil Production Forecast
North Slope Production Decline

FY 1988: production peak → 2.01 million barrels per day (bpd).

FY 2010: production → 644,000 bpd, a 68% decline since peak.

FY 1988 to date: production decline rate ~ 5% per year, on average.

Over the last 10 years, production decline rate ~ 4.2% per year, on average.

We expect the decline rate to flatten out to 3.2% per year, on average, through FY 2030.
ANS Production History & Forecast

Annual North Slope Production and Contribution of Fields

Source: Fall 2010 Revenue Sources Book
Forecasted ANS Production
FY 2010 - 2020

Source: Fall 2010 Revenue Sources Book