House Resources Committee
Discussion of HB3001

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April 25, 2012
Outline

• ConocoPhillips Latest Financial Performance
• Alaska Potential
• Fiscal Framework Discussion
• ConocoPhillips Commitment
Latest Financial Performance

• Alaska First Quarter 2012 Earnings
  – Paid $1.5 billion in taxes and est. royalties; earned $616 million
  – $13.1 million per day of taxes and est. royalties to State of Alaska
  – $16.5 million per day of total government take
  – $173 million higher than 4th quarter 2011 due to timing of sales and increased prices
Production is Declining in Alaska

Source: Energy Information Administration (EIA)
Legacy Fields are Key to Future Production

Legacy fields:
- ~90% of North Slope 2011 production
- Key to stemming decline

Realization of legacy field potential dependent upon attracting additional capital investment

Source: DOR 2009 production forecast 2010 – 2050 volumes
Opportunities within Legacy Fields

- Drilling technology is opening new opportunities for light oil development
  - Designer wells
  - Thin sand targets
  - Opportunities can support more rigs in Western North Slope, Prudhoe
  - High costs, technical risks significant

- Viscous oil maturing
  - Have made technological advancements
  - Core area West Sak on line at 14,000 BOPD
  - Evaluating next significant investment (Eastern NEWS)
    - Challenged technically and commercially
    - More engineering needed

- Additional exploration, satellite opportunities

- Evaluating heavy oil technologies
  - Long standing efforts to develop heavy oil is continuing
  - No commercially viable technology identified to date

Cost, production/reserves, technical, regulatory and fiscal framework considerations will determine level of capital investment
Alaska’s relative attractiveness further diminished as price rises.
ACES Takes Away the Upside

Government and Industry Marginal Share in Alaska

By comparison, industry marginal share in L48 40% to 50%

Based on Fall 2011 RSB for FY2013
Assume 35% federal tax rate, 9.4% SIT rate

Alaska Share includes royalty, severance tax, income tax, and property tax
ACES Takes Away the Upside

Source: ConocoPhillips 10-K
HB3001 Provides More Equitable Split

Based on Fall 2011 RSB for FY2013
Assume 35% federal tax rate, 9.4% SIT rate

Alaska Share includes royalty, severance tax, income tax, and property tax
Assume 35% of capex is eligible for 40% credits under HB3001
ConocoPhillips Capital Expenditures

Investment has tripled in the Lower 48

Investment has remained flat in Alaska

Investment flows where investor has upside

Source: ConocoPhillips 10K
Last spring, ConocoPhillips made the following commitments to Alaska if HB110 or similar legislation is passed:

• We will pursue increased drilling activity on the North Slope

• We will aggressively pursue more satellite developments at Alpine and Kuparuk

• We will work with partners to develop major projects at Prudhoe Bay

• We will proactively pursue other projects that can move the needle on oil production