WHAT is AOGA?

Professional Trade Association - 1966

Purpose

• Serve as single point of contact for Alaskans on the state’s oil and gas industry

• Provide a forum for discussion and a point of decision on issues that affect the industry

Mission

*Long-term viability of the Alaska’s Oil & Gas Industry for the benefit of all Alaskans*
AOGA Member Companies

PIONEER
NATURAL RESOURCES ALASKA

Statoil

XT0 ENERGY

Marathon Oil
Marathon Alaska Production LLC

Apache

Hilcorp Alaska, LLC

Repsol

ExxonMobil

bp

Alyeska Pipeline Service Company

Tesoro

Petro Star Inc.
EXCELLENCE IN ENERGY

ENI

Chevron

Flint Hills Resources
Alaska

petroleum

AOJA | Work Together. WIN Together.
AOGA Structure

Board of Directors

Standing & Special Committees & Task Groups

   Environmental
       Clean Air Task Group
       Habitat/Wildlife

   Permit Streamlining

   Offshore

   Cook Inlet

   State Legislative

   Tax
Do you own an oil company?

Who Owns “BIG OIL”

- Pension Funds 31.2%
- Individual Investors 21.1%
- Mutual Funds 20.6%
- IRAs 17.7%
- Other Institutional Investors 6.6%
- Oil Company Executives 2.8%

In thinking about “Big Oil,” remember that most Americans do well when oil companies do well.
### Rich In Resources

<table>
<thead>
<tr>
<th>Resource Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>STATE LAND</strong></td>
</tr>
<tr>
<td>Cook Inlet</td>
</tr>
<tr>
<td>- 599 mbo and 19 tcf gas</td>
</tr>
<tr>
<td>Onshore North Slope</td>
</tr>
<tr>
<td>- Conventional: 5 bbo and 35 tcf gas</td>
</tr>
<tr>
<td>- Heavy/Viscous: 24-33 bbo</td>
</tr>
<tr>
<td>- Unconventional: 2 bbo and 12 tcf gas</td>
</tr>
<tr>
<td><strong>FEDERAL LAND</strong></td>
</tr>
<tr>
<td>Offshore Arctic</td>
</tr>
<tr>
<td>- 27 bbo and 132 tcf gas</td>
</tr>
<tr>
<td>NPR-A</td>
</tr>
<tr>
<td>- 896 mbo and 53 tcf gas</td>
</tr>
<tr>
<td>ANWR</td>
</tr>
<tr>
<td>- 10 bbo and 3.5 tcf gas</td>
</tr>
</tbody>
</table>

mbo - million barrels of oil  
bbo - billion barrels of oil  
tcf - trillion cubic feet
Refining in Alaska

Three Instate Refineries:

• Flint Hills Resources (North Pole)
• Tesoro (Kenai)
• Petro Star (North Pole and Valdez)
Explaining gas prices in Alaska

What do we pay for in a gallon of regular-grade gasoline?

2000 to 2011 Average Retail Price: $2.27

- Distribution & Marketing: 11%
- Refining Costs & Profits: 14%
- Federal & State Taxes: 21%
- Crude Oil: 54%

2011 Average Retail Price: $3.52

- Distribution & Marketing: 9%
- Refining Costs & Profits: 11%
- Federal & State Taxes: 11%
- Crude Oil: 68%

Arctic Offshore Potential

The next generation in oil and gas development:

27 bbl/oil

132 tcf gas

54,000 potential jobs created (nationwide)
Cook Inlet Activity

- Hilcorp
- Apache
- Linc Energy
- Buccaneer
- NordAq
- Cook Inlet Energy
- FURIE
- ConocoPhillips
North Slope Activity

Great Potential: 40 bbo in Arctic; 5 bbo in existing fields

Unconventional: 2 bbo potential

Point Thomson

Gas Development

Exploration Not Yet Booming
- 2011-12: 7 wells/6 companies
- 2012-13: 4 companies

Exploration ≠ Production
- 5 to 7 Years
- ND Surpassed AK; AK now 3rd
Jobs for Alaskans - One-Third Tied to Oil & Gas

- All basic sectors: 122,000 (34%)
- Petroleum Sector: 110,000 (31%)
- Federal Government: 125,000 (35%)

Source: ISER: Goldsmith
Oil & Gas Has been Good to Alaska – Jobs & Revenue

State of Alaska has collected $160+ billion from oil & gas since 1959

- Oil & gas continue to dominate state’s unrestricted revenue, accounting for 92% ($7 billion) in FY 2011
- State estimates 90% of its revenue will continue to come from oil and gas – even with falling production

Industry creates jobs and provides income for many

- 44,800 jobs and $2.65 billion in annual payroll (does not include State jobs, or jobs related to capital budgets)
- 1 = 9 - Nine oil industry-related jobs created in Alaska for every primary company job
Alaska North Slope Production
FY 2000-2012 and Forecasted FY 2013-2022

Source: Department of Revenue - Dec. 2012
ANS Production & Price Forecast Comparison

**ANS Price: Fall 2007 Forecast vs Actuals**

- **Actual**
  - Prices UP 70%
- **Forecast**

**2012: Production DOWN 14%**

**Source:** DOR Fall 2007 & Fall 2011 Revenue Sources Books; preliminary FY 2012 Actuals
Alaska Headed Out of Medal Contention – 4th

Daily Oil Production in the Top 4 U.S. Oil-Producing States, 2002-2012

Source: EIA

Texas

Alaska

California

North Dakota

Thousands of barrels

2,000

1,600

1,200

800

400

0

## Where is Alaska’s Boom?

<table>
<thead>
<tr>
<th></th>
<th>Anchorage, AK</th>
<th>Williston, ND</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Population</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>273,297</td>
<td>12,193</td>
</tr>
<tr>
<td>2010</td>
<td>291,826</td>
<td>16,006</td>
</tr>
<tr>
<td><strong>Unemployment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>5.3%</td>
<td>1.8%</td>
</tr>
<tr>
<td>2012</td>
<td>5.9%</td>
<td>0.9%</td>
</tr>
<tr>
<td><strong>Residential Building Permits</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>161</td>
<td>45</td>
</tr>
<tr>
<td>2012</td>
<td>111</td>
<td>335</td>
</tr>
<tr>
<td><strong>Median Household Income</strong></td>
<td>$ 73,000</td>
<td>$ 30,000</td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>$ 81,640</td>
<td>$ 52,926</td>
</tr>
</tbody>
</table>
“Your state has about the worst energy tax policy in the world. The only worse I could find is North Korea.”

Uncompetitive Tax Rates

Effective Tax Rate at $115/bbl Market Price
(all taxes & royalties)

Source: Roger Marks, 2/8/12 Presentation
Share of Profit under ACES

Profit defined as total gross value of all oil produced, less transportation costs and lease expenditures. Assumes FY 2012 Transport costs of $8.72/bbl, Opex of $14.03 per taxable barrel, and Capex of $10.25 per taxable bbl.
Competition at High Oil Prices

Historical Oil Production Curves with Nominal WTI Price

- Texas
- Alaska
- North Dakota
- Alberta
- Price - WTI nominal

Fiscal Year

WTI Price

Millions of Barrels per Day

- 2011
- 2009
- 2007
- 2005
- 2003
- 2001
- 1999
- 1997
- 1995
- 1993
- 1991
- 1989
- 1987
- 1985
- 1983
- 1981
- 1979
- 1977
## Sources of FY 2012 Unrestricted Revenue

<table>
<thead>
<tr>
<th>Source</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and Gas Royalties &amp; Taxes ($8.8B)</td>
<td>93%</td>
</tr>
<tr>
<td>Excise Taxes ($170.8M)</td>
<td>2%</td>
</tr>
<tr>
<td>Corporate Income Taxes ($98.5M)</td>
<td>1%</td>
</tr>
<tr>
<td>Licenses &amp; Permits ($42.3M)</td>
<td>less than 1%</td>
</tr>
<tr>
<td>Mining Taxes ($40.7M)</td>
<td>less than 1%</td>
</tr>
<tr>
<td>Fisheries Taxes ($32.7M)</td>
<td>less than 1%</td>
</tr>
</tbody>
</table>

Source: Alaska Department of Revenue – Fall 2012 Sources Book
• Exploration does not guarantee production
• Projects underway are not stemming decline
• Legacy fields can not be ignored
• Alaska Needs a Strong Oil Tax Policy