

Tax Credits & Production Taxes



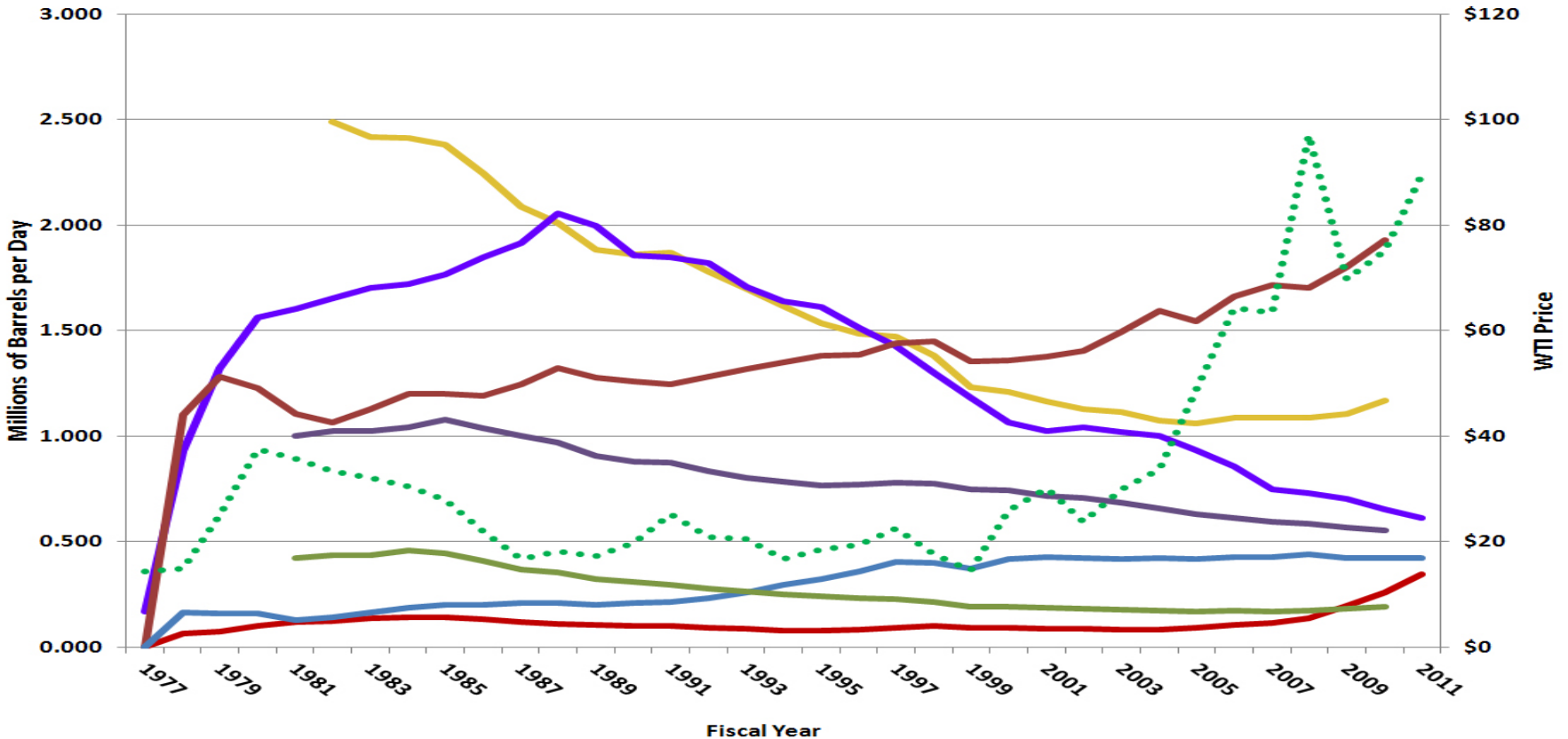
*Presentation to “Meet Alaska”
Friday, January 6, 2012
Alaska Department of Revenue*



Historical Oil Production: How Did Our Competition Fare When Prices Spiked?



Historical Oil Production Curves with Nominal WTI Price





More Actual Information.....



1. As a State, we are in a position we've never been in before
2. PPT/ACES Debate: "Actual" information utilized? Unfortunately No.....was not available
3. Decision makers, through no fault of their own, had to rely on modeling, forecasts, projections, theoretical assumptions
4. We now have the luxury to look back and see what actually happened over the past 5 years
5. What do we see? Record high oil prices lead to oil & employment booms in competing oil producing regions
6. And Alaska continues to decline.....

According to the USGS, It's Certainly Not A Resource Issue.....



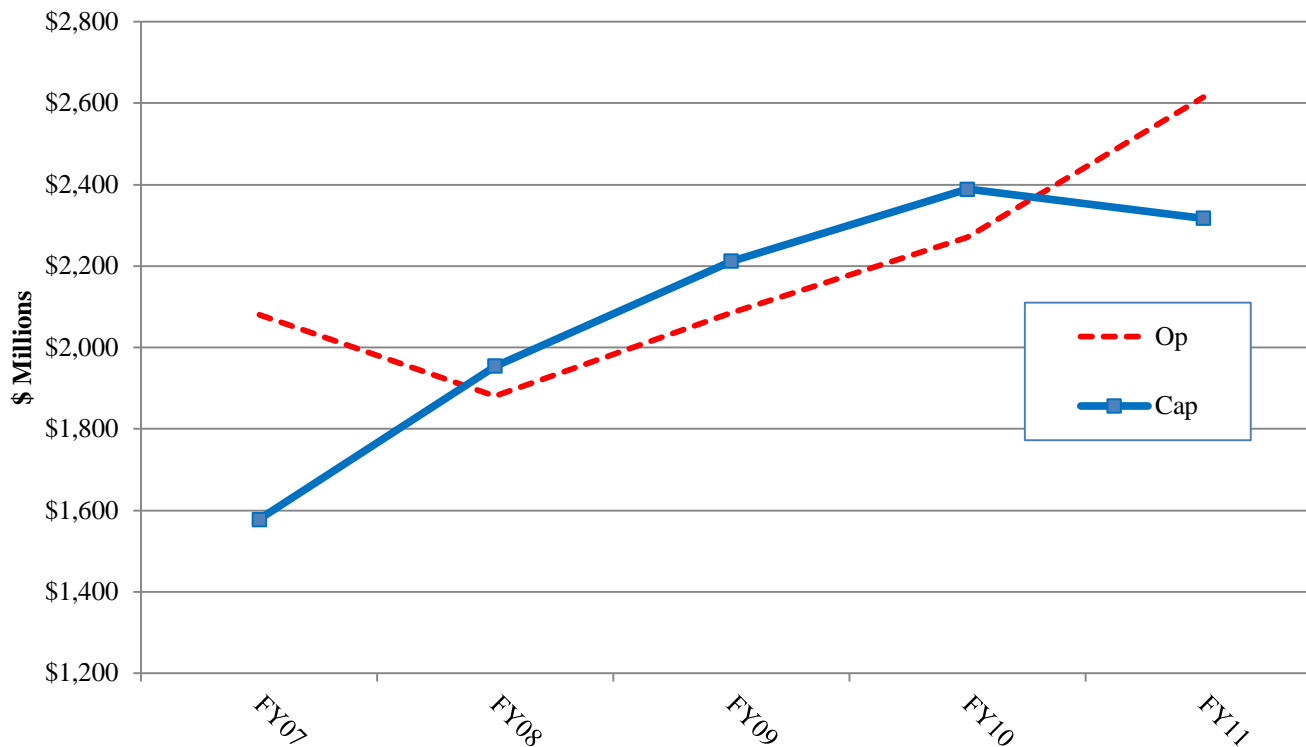
- There's no debating.....Alaska is a world-class energy basin with more oil than any other Arctic nation
- Cumulative production through 2010 over 16B barrels
- Oil: Estimated to have 40B barrels of conventional oil
- Gas: Estimated to have 236 TCF of conventional natural gas
- Plus tens of billions of heavy & viscous oil as well as shale oil & gas



What Drove The Spending?



Historical Opex/Capex

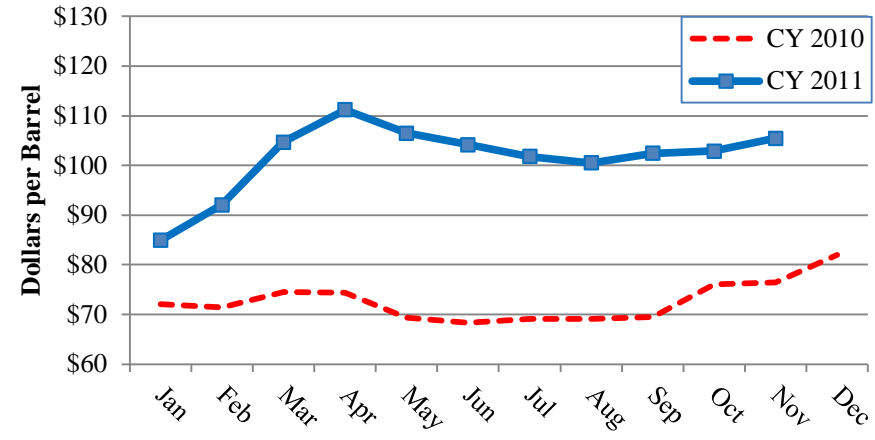




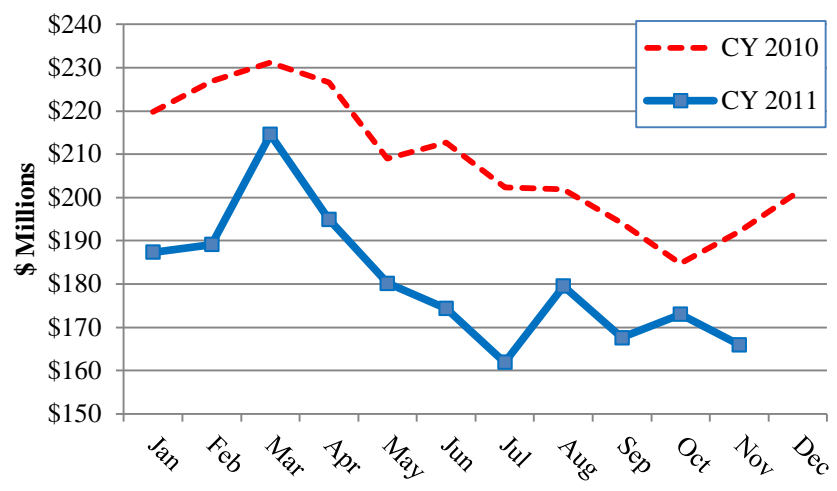
Oil Price & Spending: Why the Disconnect?



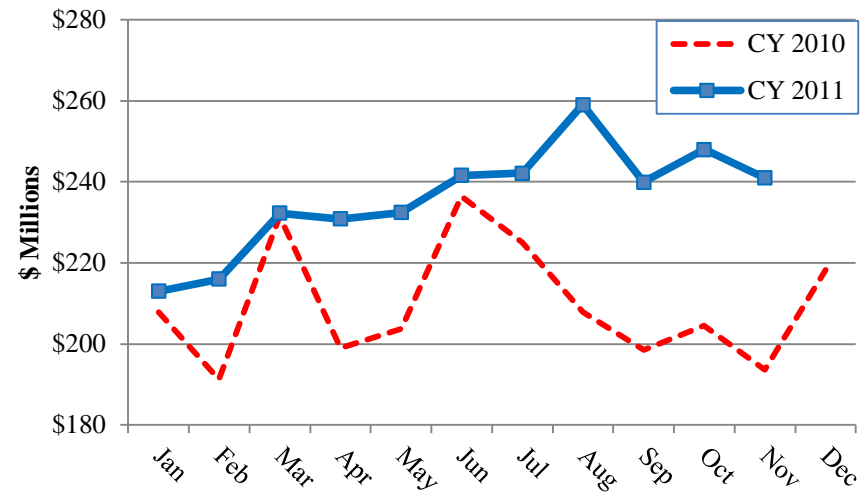
ANS Wellhead Value



North Slope CAPEX



North Slope OPEX

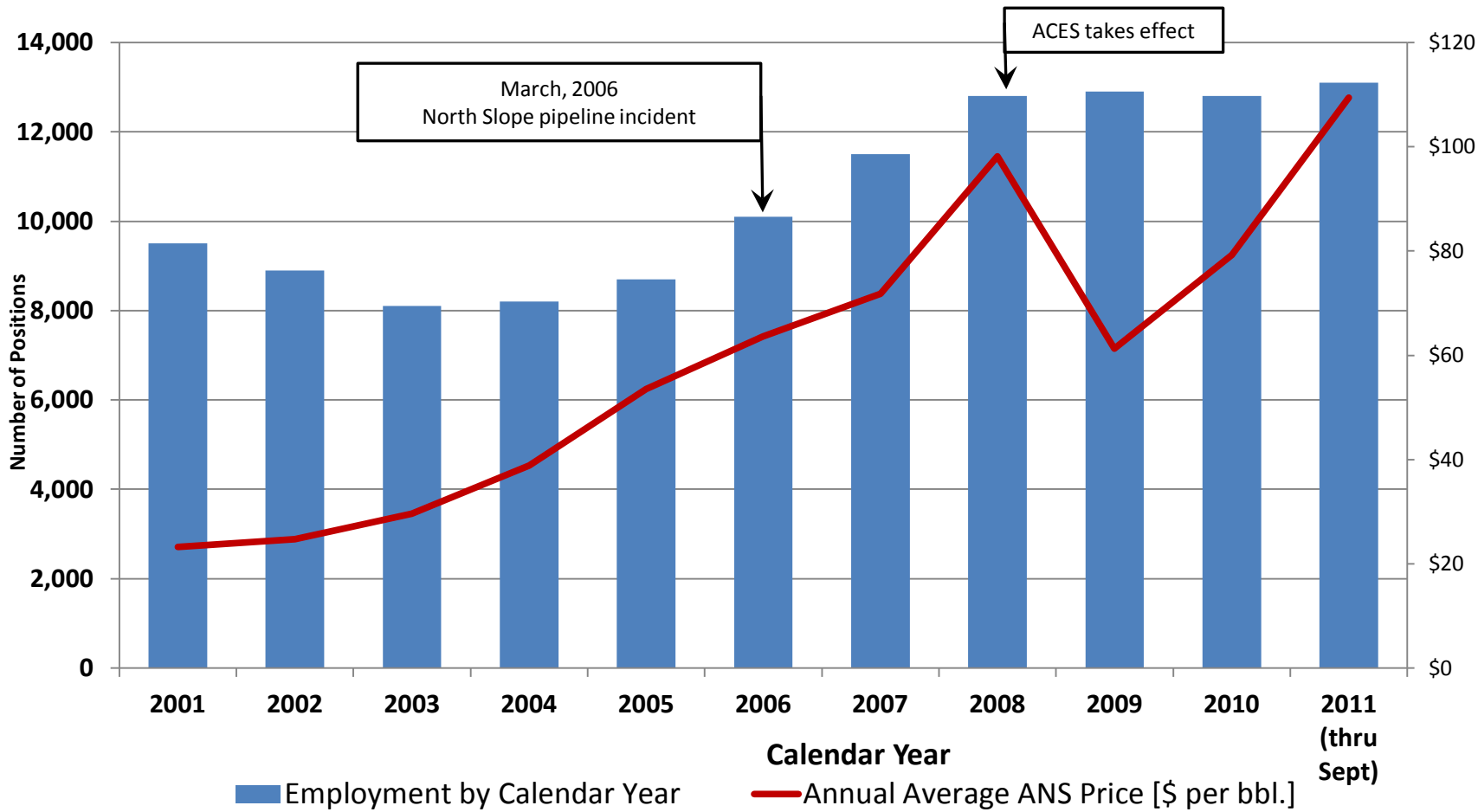




The Real Jobs Debate?

Why are Jobs flat during record oil prices?

Employment in Alaska's Oil and Gas Industry

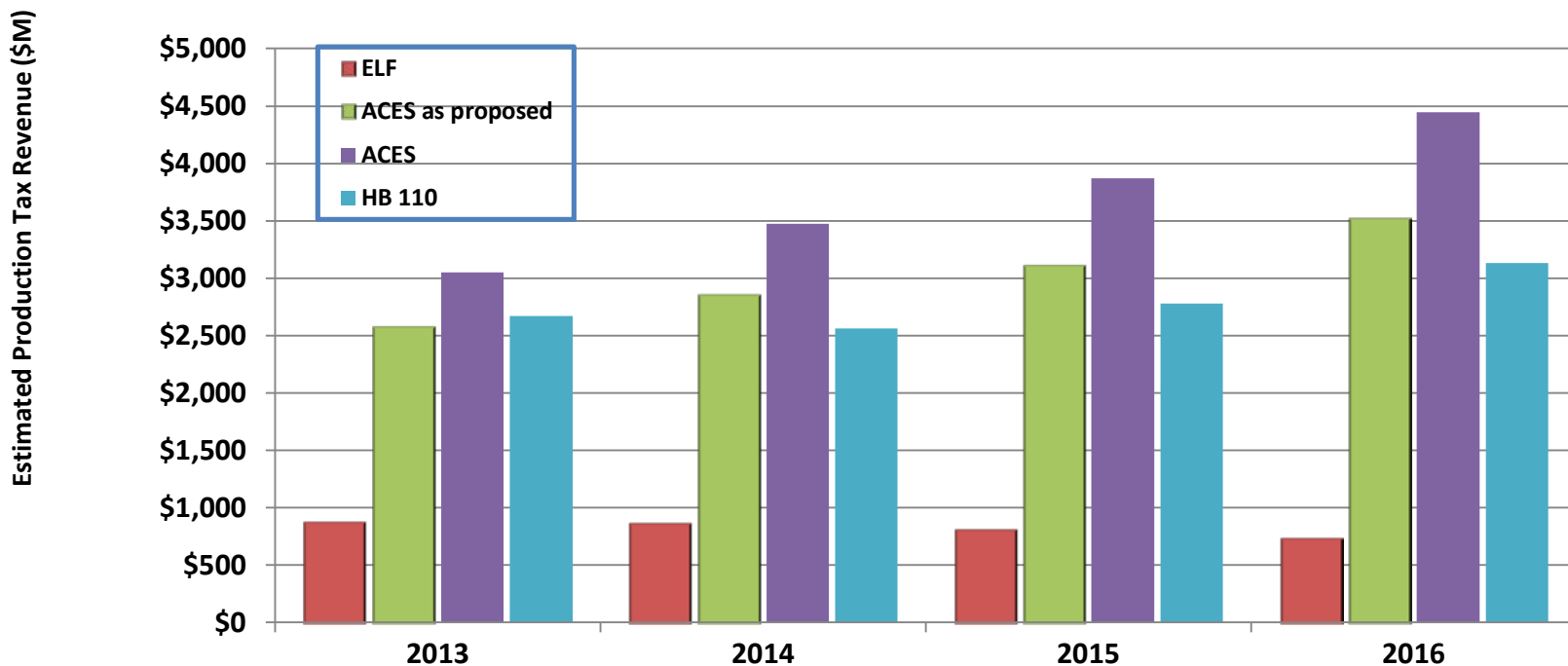




HB 110 compared to ELF & ACES: Did The Pendulum Swing Too Far?



Comparison of Estimated Production Tax Revenue From ELF, ACES as proposed, ACES and HB 110 for
FY 2013 - FY 2016



Based on Fall 2010 Revenue Forecast assumptions. This analysis **does not include** any incremental production as a result of bill passage.



What To Expect This Session?



- There seems to be a growing sentiment that a change to progressivity is needed
- Hopefully we can begin the discussion on Day One
- We need a game changer! “Tweaks” will not make us more competitive

