



**AOGA**

**OIL & GAS:  
FUELING  
ALASKA'S  
ECONOMY**

# **Oil & Gas Industry Update**

**Sept. 28, 2012**

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# AOGA Member Companies

**PIONEER**  
NATURAL RESOURCES ALASKA



petroleum



# **Oil & Gas Has been Good to Alaska – Jobs & Revenue**

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**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**

# Do you own an oil company?



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

# Refining in Alaska

Three Instate Refineries:

- Flint Hills Resources (North Pole)
- Tesoro (Kenai)
- Petro Star (North Pole and Valdez)



# Arctic Offshore Potential

The next generation in  
oil and gas development:

27 bbl/oil

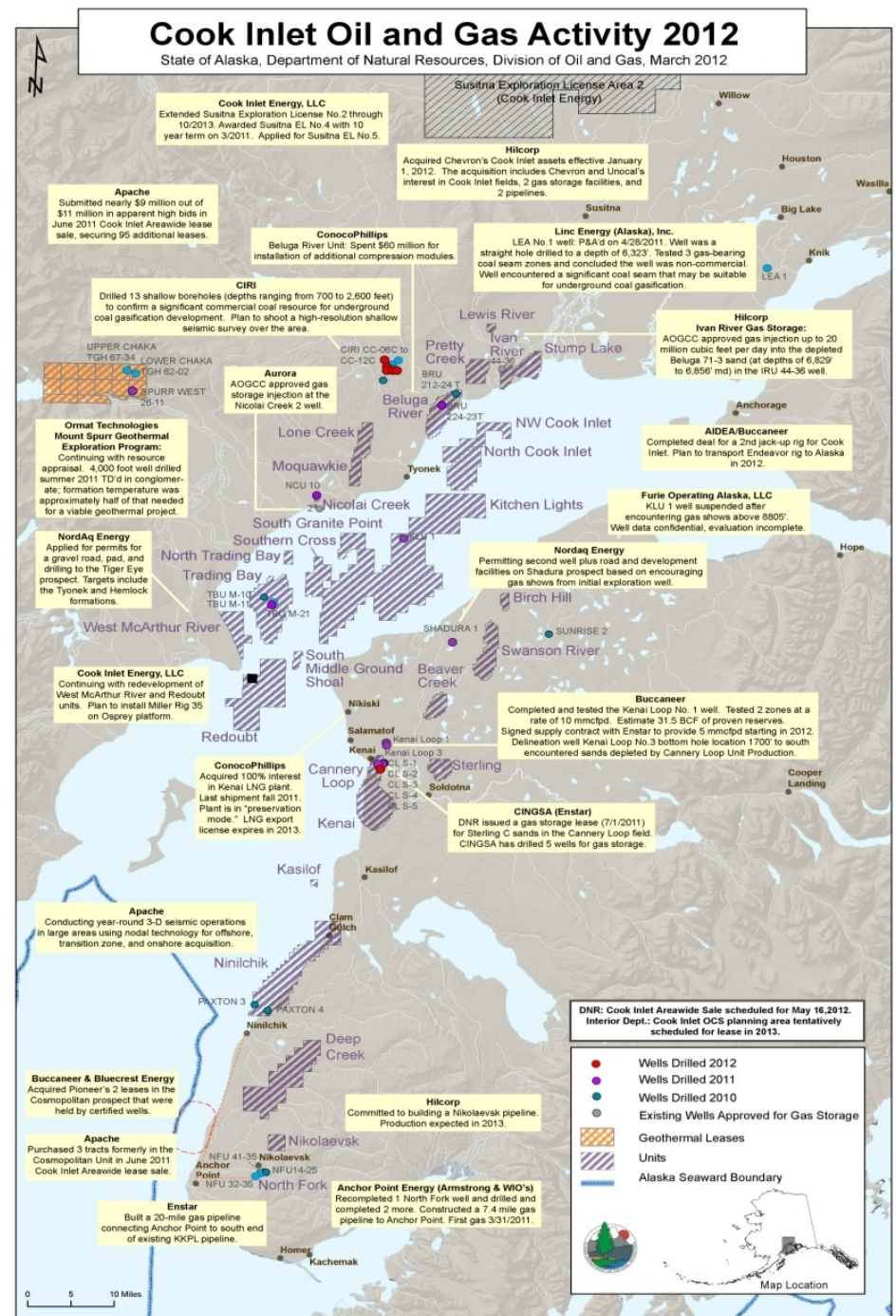
132 tcf gas

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: 8 wells/6 companies
- 2012-13: 4 companies

Exploration ≠ Production

- 5 to 7 Years
- ND Surpassed AK; AK now 3<sup>rd</sup>

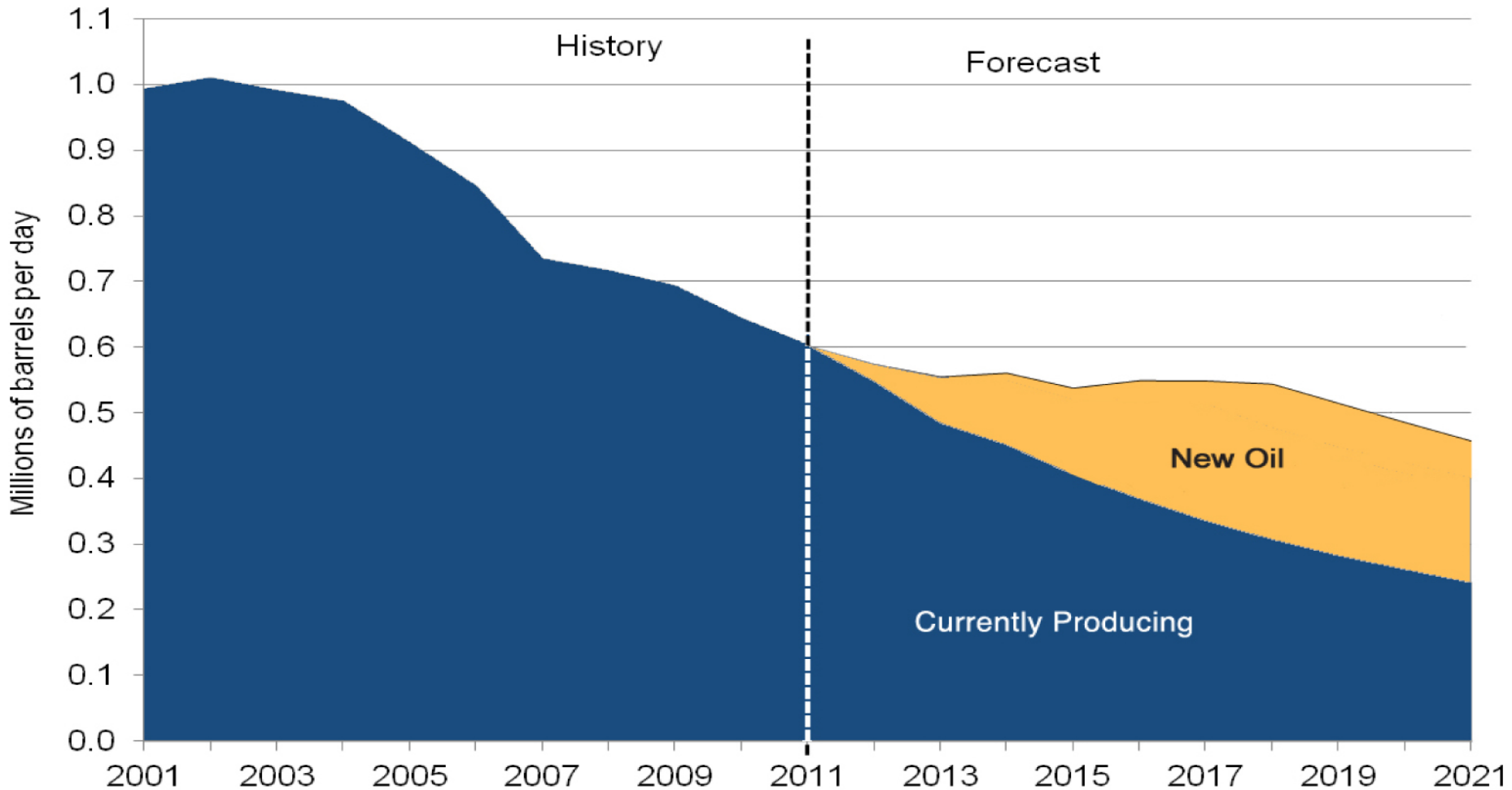




# Production Decline Is Real

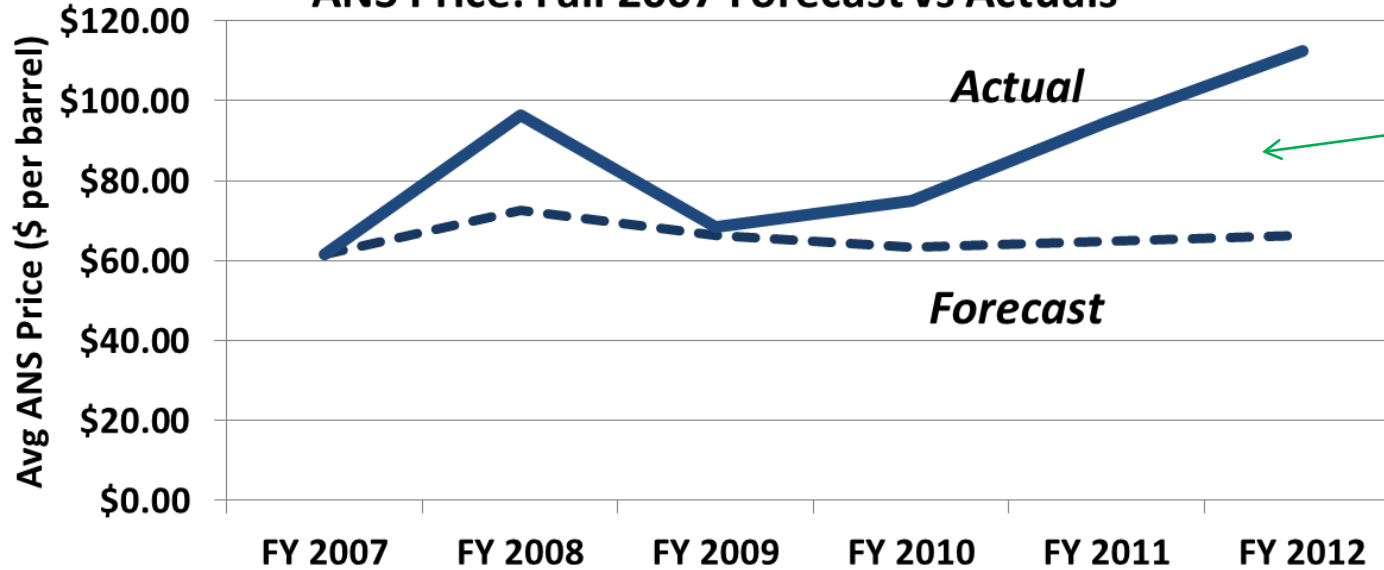
Production in July 2011: 602,381 bpd

Production in July 2012: 523,393 bpd



# ANS Production & Price Forecast Comparison

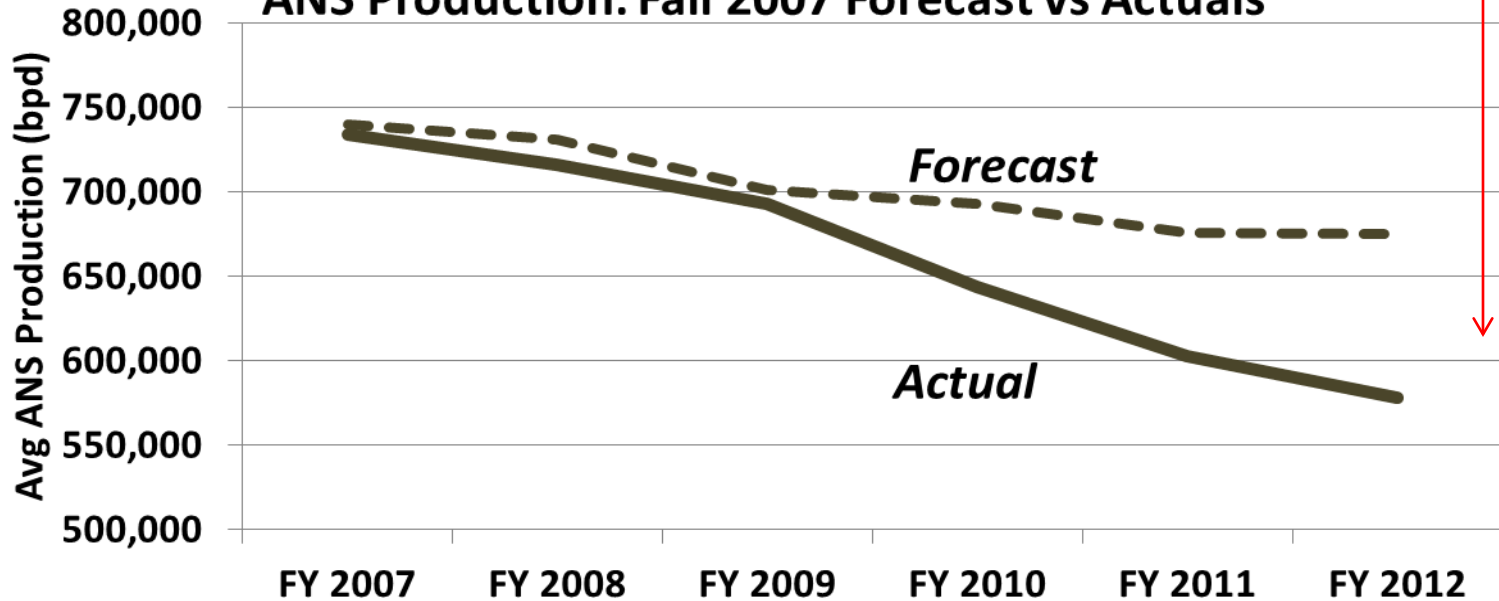
## ANS Price: Fall 2007 Forecast vs Actuals



2012:  
Prices  
**UP** 70%

2012:  
Production  
**DOWN** 14%

## ANS Production: Fall 2007 Forecast vs Actuals



Source: DOR Fall 2007 & Fall 2011 Revenue Sources Books; preliminary FY 2012 Actuals

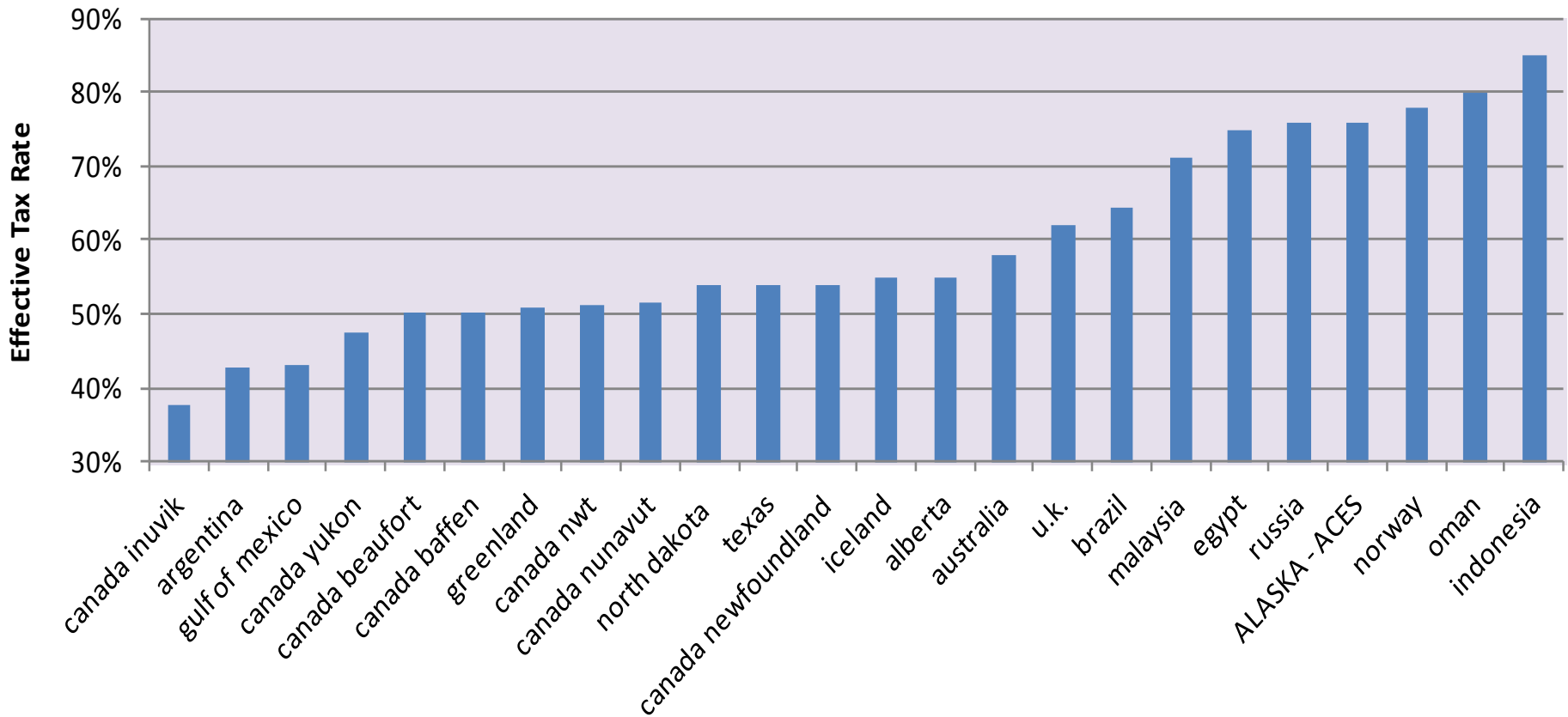
# Alaska's Tax Structure: How Bad is it?

“Your state has about the worst energy tax policy in the world. The only worse I could find is North Korea.”

- Economist Steve Forbes at the Anchorage Economic Development Corporation's economic forecast luncheon on January 25, 2012.

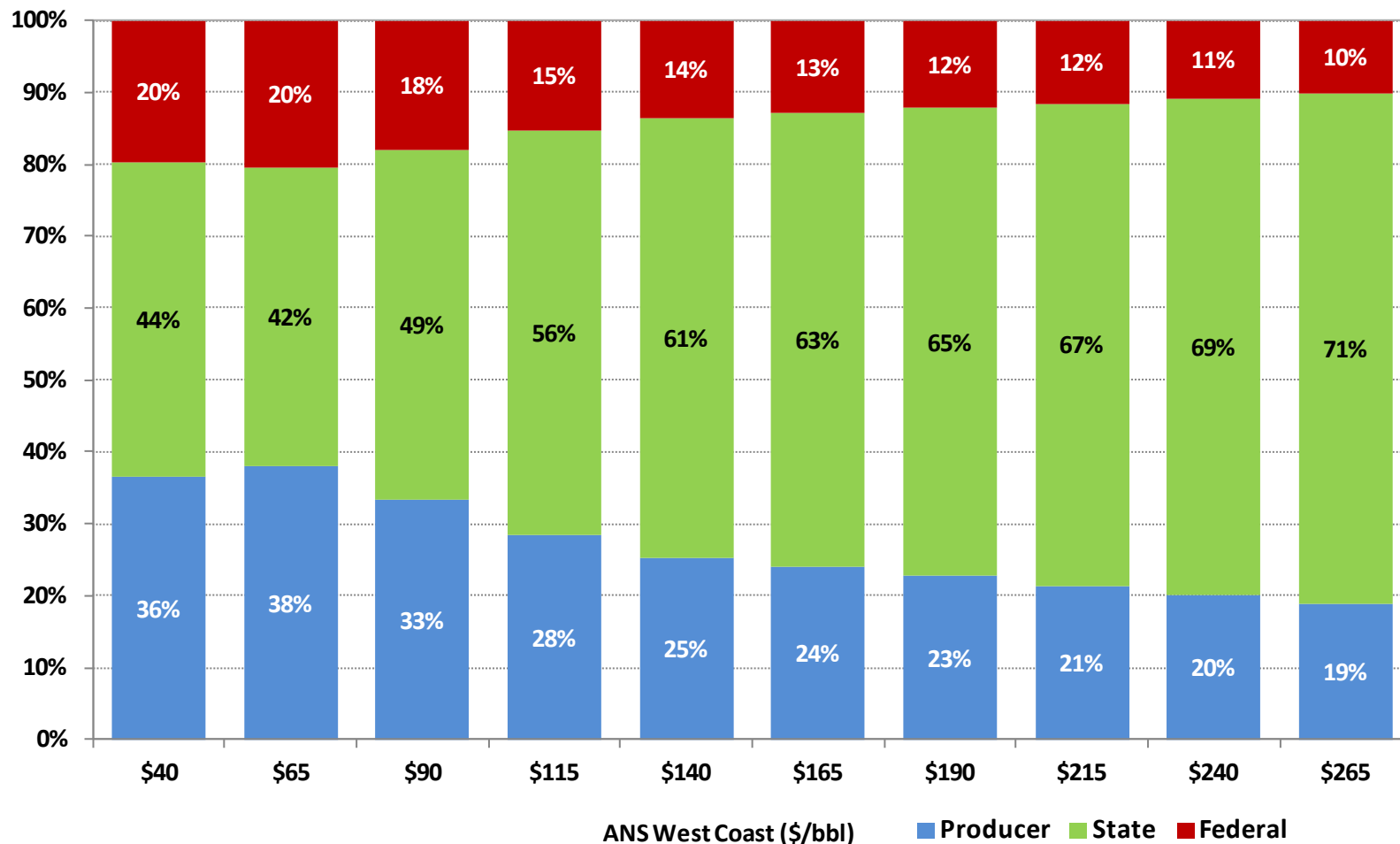
# Uncompetitive Tax Rates

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



Source: Roger Marks, 2/8/12 Presentation

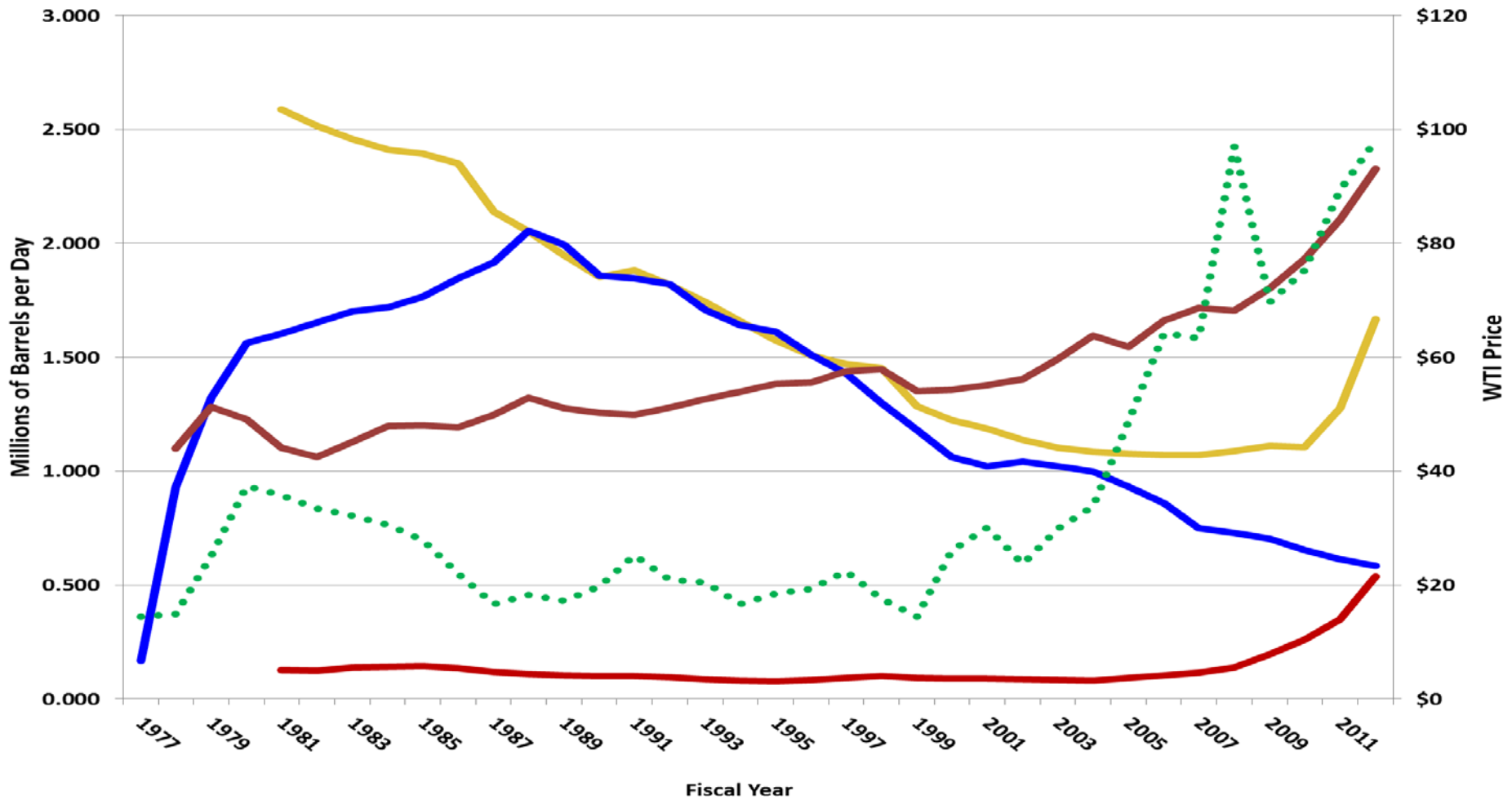
# Share of Profit under ACES



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



# A Grim Future Without Oil & Gas

## Sources of FY 2011 Unrestricted Revenue

Oil and Gas Royalties & Taxes (\$7B)	92%
Excise Taxes (\$165M)	2%
Corporate Income Taxes (\$157M)	2%
Mining Taxes (\$49M)	.6%
Licenses & Permits (\$43M)	.6%
Fisheries Taxes (\$23M)	.2%

Source: Alaska Department of Revenue – Fall 2011 Sources Book

# Summary

- Exploration does not guarantee production
- Projects underway are not stemming decline
- Legacy fields can not be ignored
- Alaska's Oil Tax Structure Must Change

