

Alaska Oil & Gas Industry Update

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OIL & GAS:
FUELING
ALASKA'S
ECONOMY

AOGA
Alaska Oil and Gas Association



The oil and gas industry accounts for approximately 10% of
Mat-Su resident employment and wages.

Stability and Predictability matter



Tax credits:

- An investment in Alaska's future
- **Generating** jobs, investment, and production
- Key in **attracting new and smaller** companies to Alaska



Potential Legislative Changes

***These are just some ideas.
These are not the administration's proposals,
nor is this a comprehensive list***

Funding

1. Annual cap on repurchases

Process

2. Pre-approval process for credit eligibility
3. As exploration credits sunset, add data submissions requirements as a condition of applying for spending and operating loss credits
4. Confidentiality waiver allowing the state to release more information on repurchases

Potential Legislative Changes

Program Changes

5. Eliminate stackable “spending” and “loss” credits
6. Reduce credit percentages
7. Disallow NOL credits in Cook Inlet until 2022
8. Only allow credits targeting gas, not oil

New Programs

9. State direct loans (likely AIDEA) to projects
10. State direct participation via taking a working interest (would likely require new entity)
11. Hybrid with ability to convert loans to working interest if there is a discovery
(protects state from dry hole / cash call risk)

Potential Legislative Changes

Repurchase Rules

- 12. Per-producer annual repurchase limits
- 13. Restrict the amount of credits that can be repurchased, via reinvestment requirements or other means. Credits not repurchased can still be sold or held until the company has a tax liability
- 14. Strengthen the gross minimum tax “floor,” extending it to Cook Inlet and not allowing other credits to reduce payments below it

Refineries in Alaska



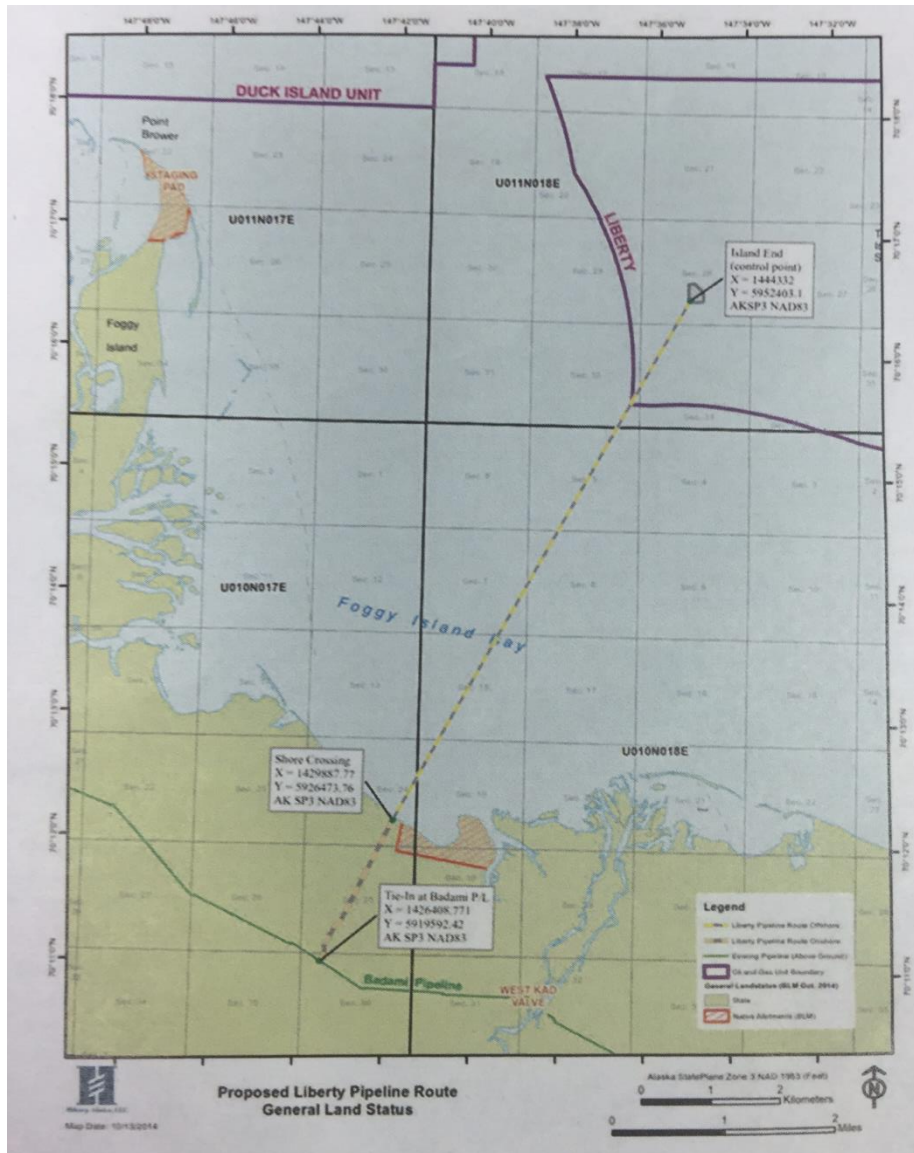
AK LNG: Alaska's opportunity



The next phase of Alaska's North Slope



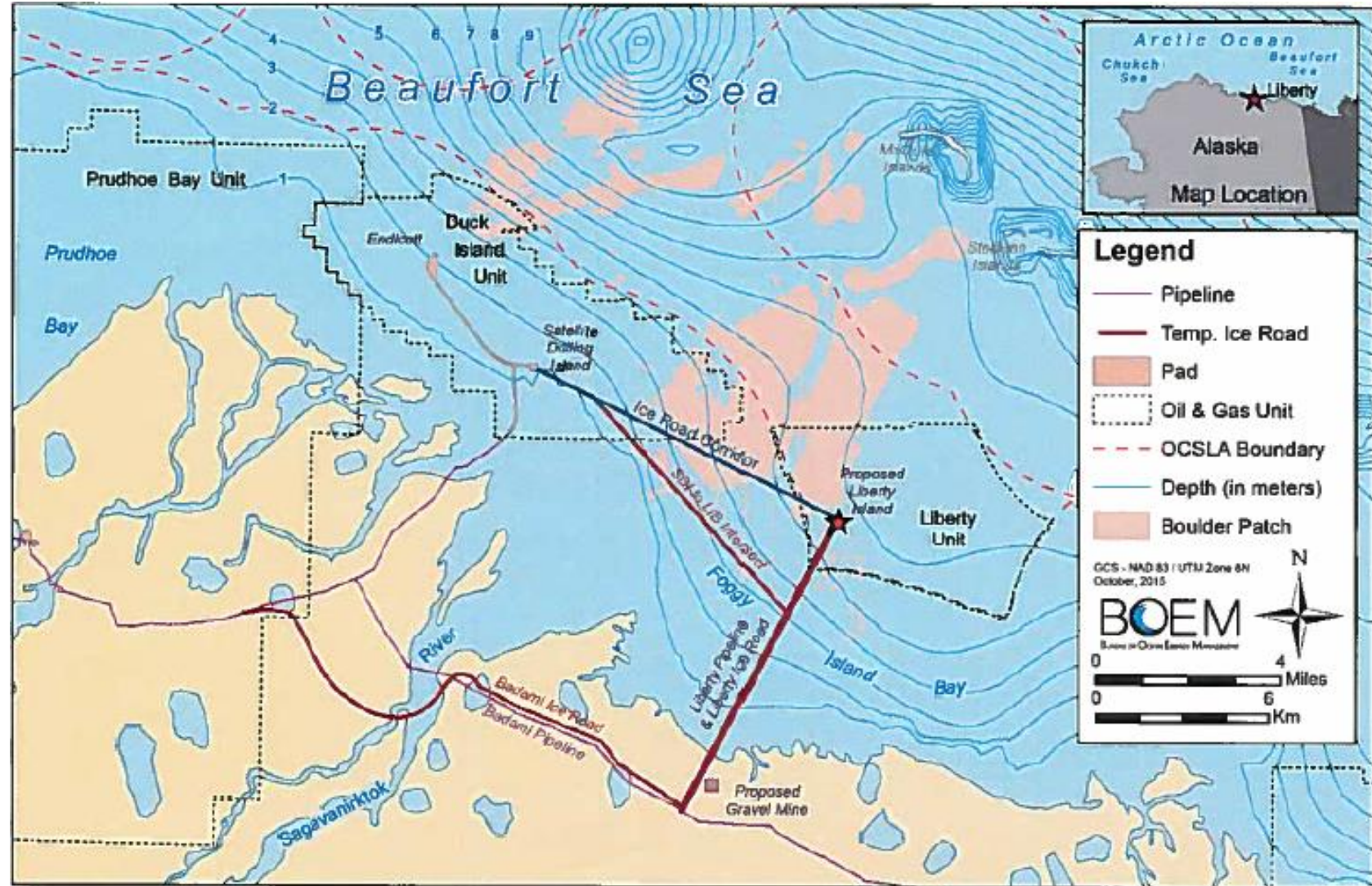
Hilcorp's Proposal



- Man- made gravel island, 5.6 miles offshore
- Drilling and production processing facility on island
- Single phase oil pipeline to shore
- Peak production estimate 60,000-70,000 barrel/day
- 16 well slots: 5-8 producers, 4-6 injectors, 2 disposal wells
- Estimated first production: 2020-2021

Liberty Development

- Total recovery estimate: 80-150 million barrels
- Jobs: 200 FTE
- Operations crew employment throughout duration of project life
- Project life: 15-20 years



Comment today!

Two critical comment periods:

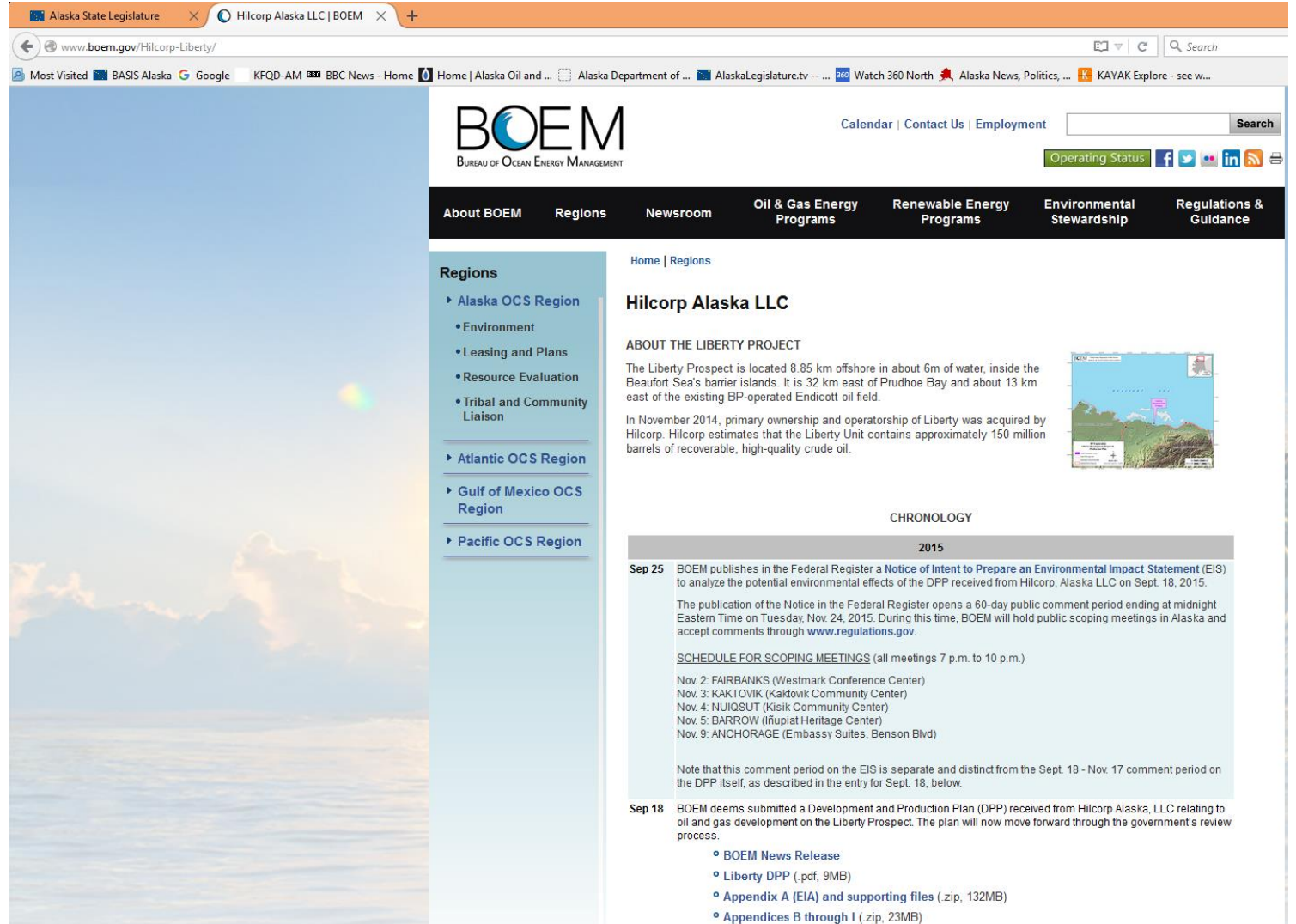
1. Notice of Intent to Prepare an Environmental Impact Statement

- Anchorage scoping meeting: Nov. 9 at 7 pm, Embassy Suites
- Written comments due Nov. 24; accepted at **regulations.gov**

2. Development and Production Plan

- Written comments due Nov. 17; accepted at **regulations.com**

LibertyProjectAK.com



Alaska State Legislature | Hilcorp Alaska LLC | BOEM

www.boem.gov/Hilcorp-Liberty/

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Hilcorp Alaska LLC

ABOUT THE LIBERTY PROJECT

The Liberty Prospect is located 8.85 km offshore in about 6m of water, inside the Beaufort Sea's barrier islands. It is 32 km east of Prudhoe Bay and about 13 km east of the existing BP-operated Endicott oil field.

In November 2014, primary ownership and operatorship of Liberty was acquired by Hilcorp. Hilcorp estimates that the Liberty Unit contains approximately 150 million barrels of recoverable, high-quality crude oil.

CHRONOLOGY

2015

Sep 25 BOEM publishes in the Federal Register a **Notice of Intent to Prepare an Environmental Impact Statement (EIS)** to analyze the potential environmental effects of the DPP received from Hilcorp, Alaska LLC on Sept. 18, 2015.

The publication of the Notice in the Federal Register opens a 60-day public comment period ending at midnight Eastern Time on Tuesday, Nov. 24, 2015. During this time, BOEM will hold public scoping meetings in Alaska and accept comments through www.regulations.gov.

SCHEDULE FOR SCOPING MEETINGS (all meetings 7 p.m. to 10 p.m.)

- Nov 2: FAIRBANKS (Westmark Conference Center)
- Nov 3: KAKTOVIK (Kaktovik Community Center)
- Nov 4: NUIQSUT (Kisik Community Center)
- Nov 5: BARROW (Iñupiat Heritage Center)
- Nov 9: ANCHORAGE (Embassy Suites, Benson Blvd)

Note that this comment period on the EIS is separate and distinct from the Sept. 18 - Nov. 17 comment period on the DPP itself, as described in the entry for Sept. 18, below.

Sep 18 BOEM deems submitted a Development and Production Plan (DPP) received from Hilcorp Alaska, LLC relating to oil and gas development on the Liberty Prospect. The plan will now move forward through the government's review process.

- BOEM News Release
- Liberty DPP (.pdf, 9MB)
- Appendix A (EIA) and supporting files (.zip, 132MB)
- Appendices B through I (.zip, 23MB)

