

# House Resources

## HB110

**ConocoPhillips Alaska**  
Wendy King – VP, External Affairs

February 16, 2011



# Impact of HB 110

## Governor's Objectives

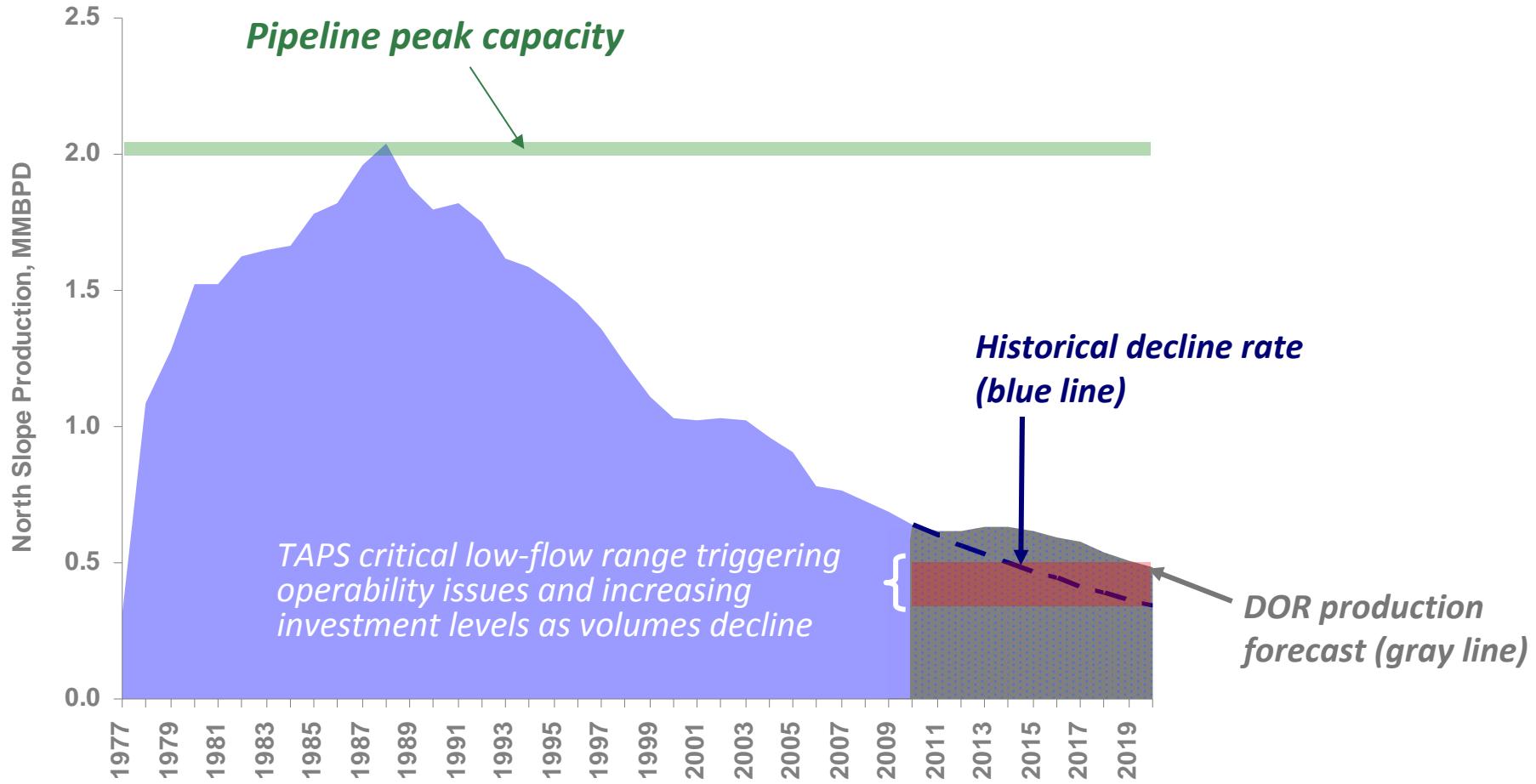
- Be More Competitive
- Create More jobs for Alaskans
- Increase Production

## ConocoPhillips' View



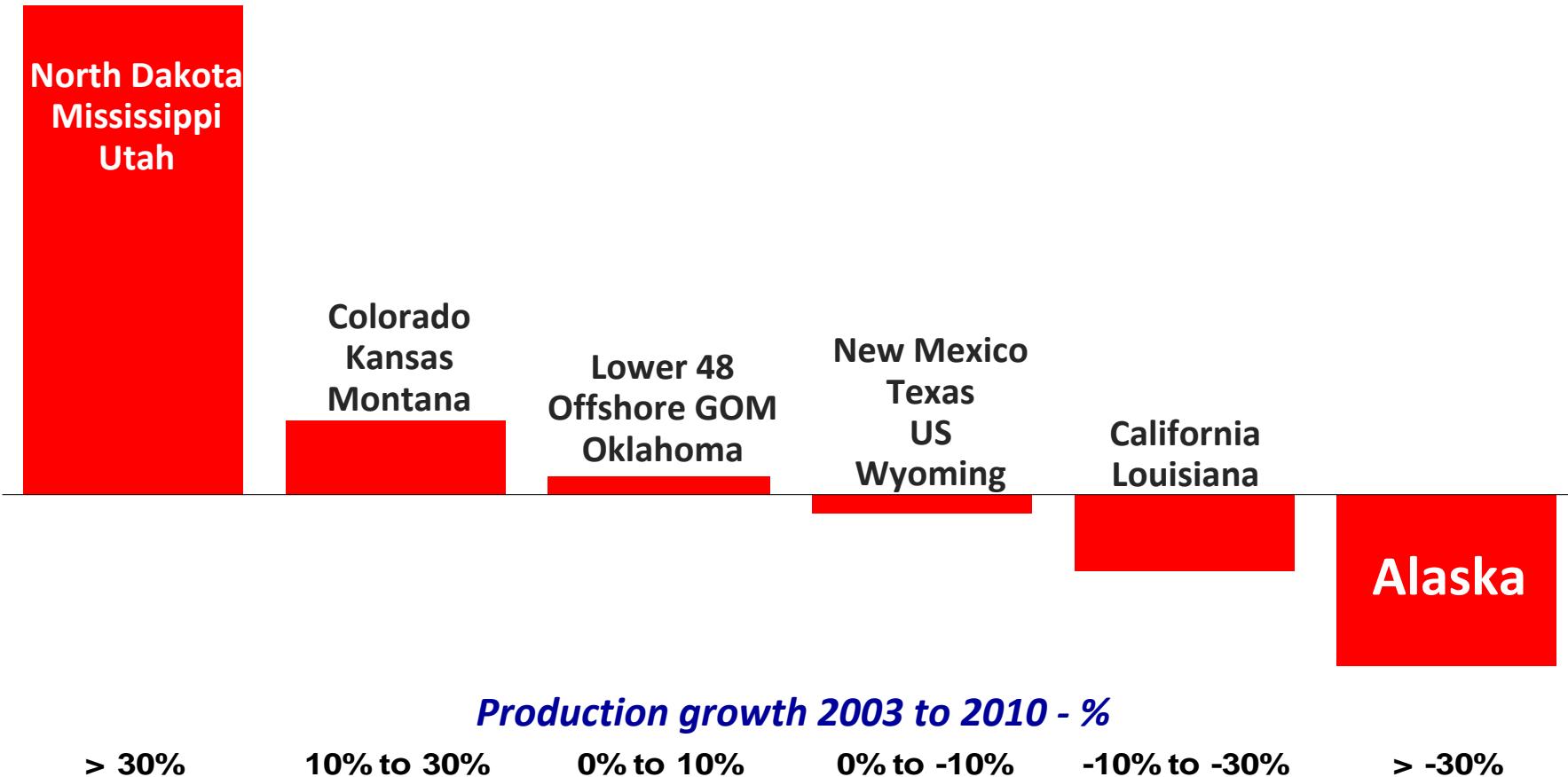
Source: DOR Presentation to House Resources, February 11, 2011

# TAPS Future Relies on New Production



Stimulating production investment key to TAPS future

# U.S. Production Changes Since 2003

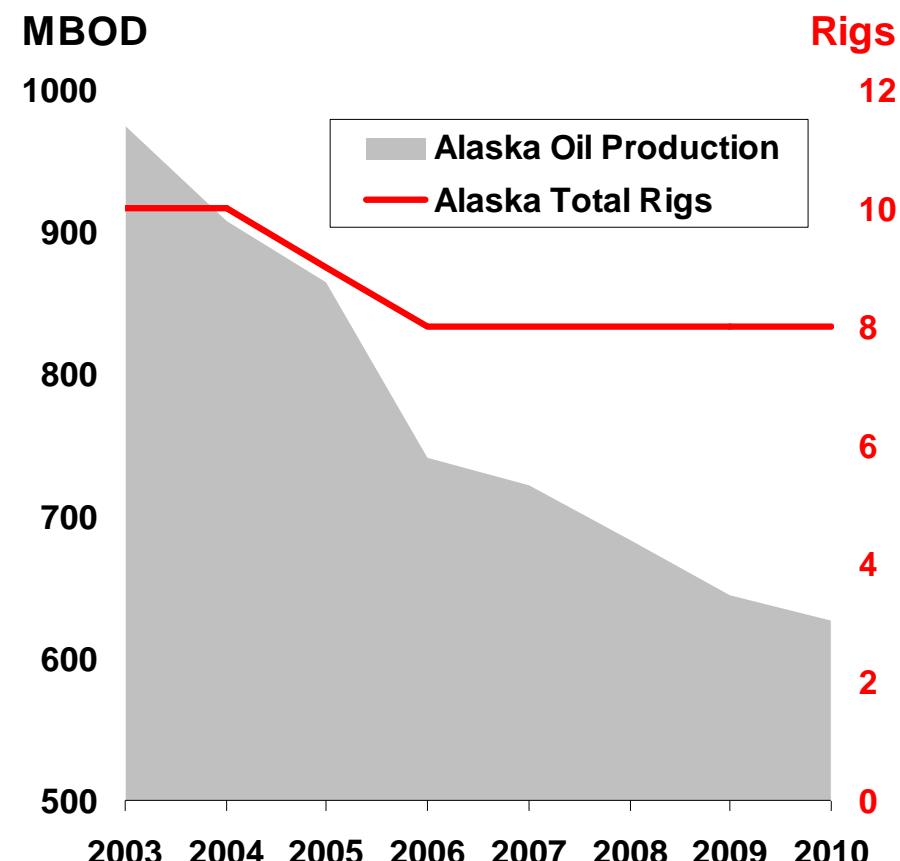
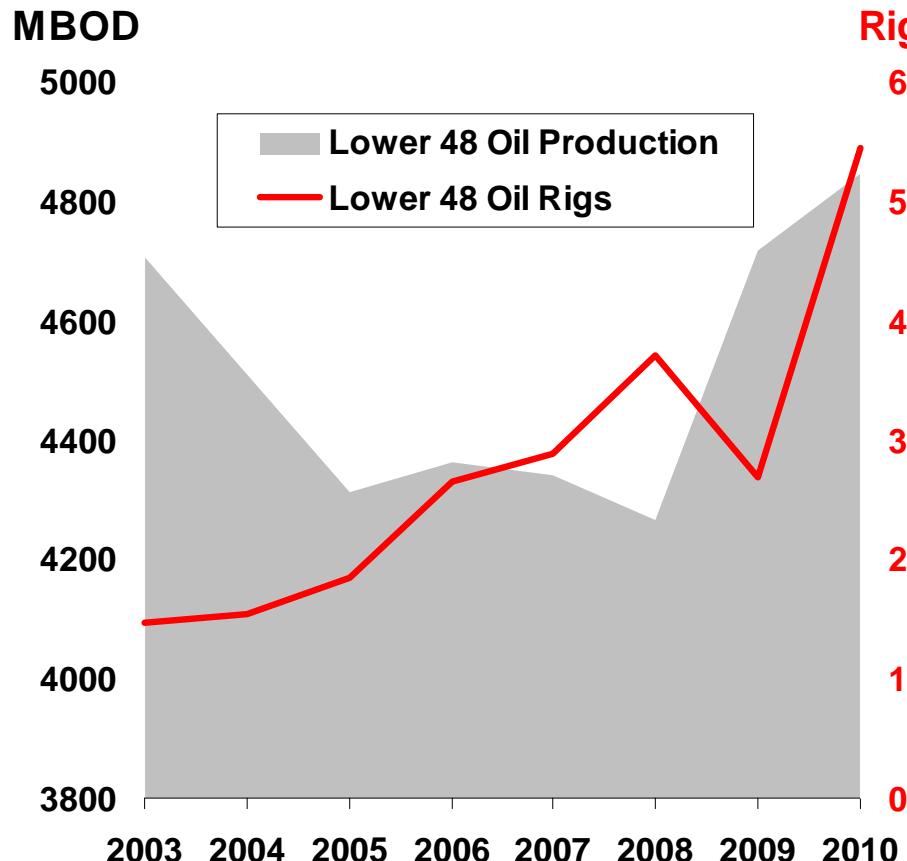


Alaska lags other states despite high prices

Source: Energy Information Administration  
Regions with minimum 50,000 bopd production

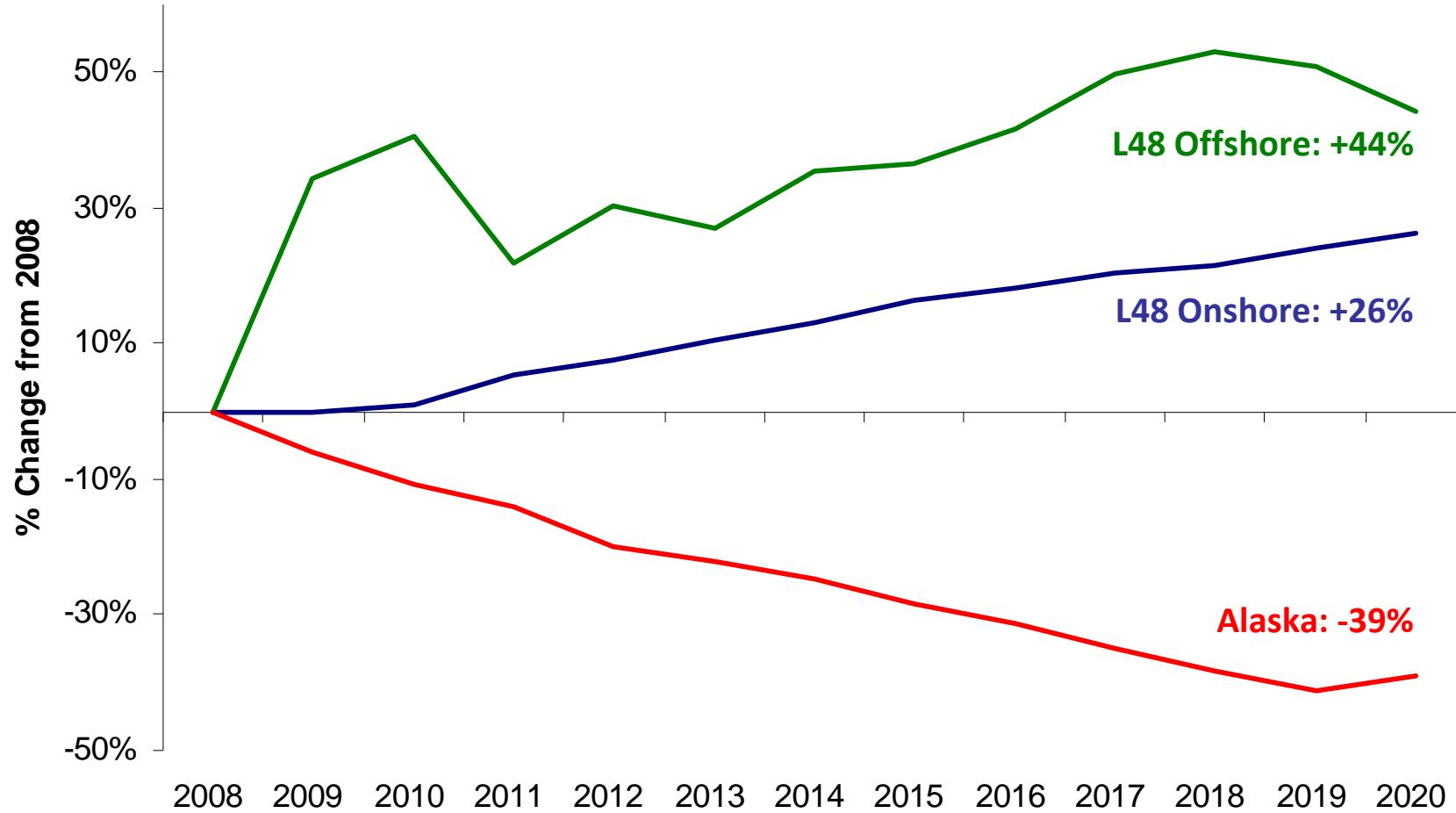
ConocoPhillips

# Rising L48 Rig Count Stems Oil Decline

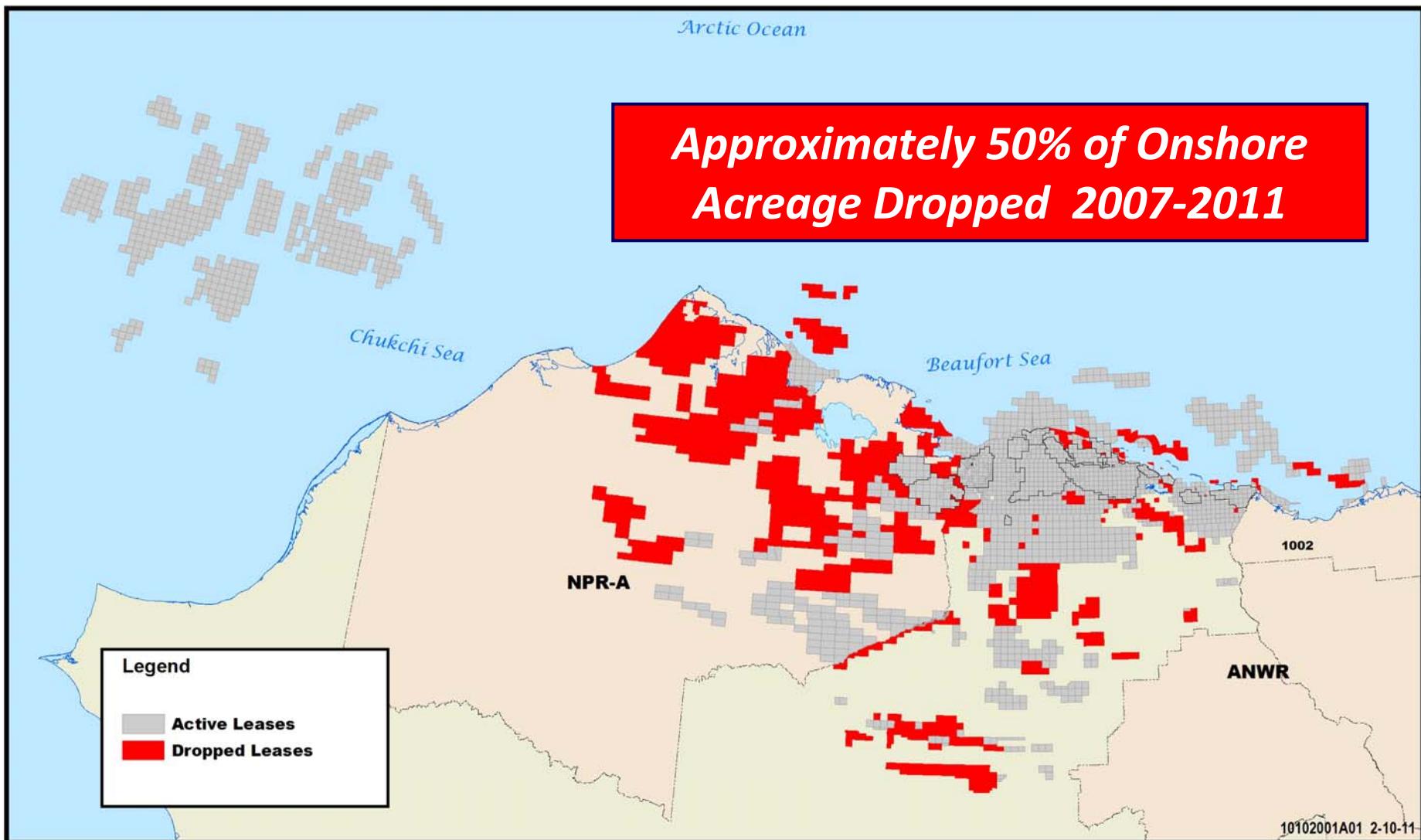


Increased production follows increased drilling

# United States Oil Production Forecast

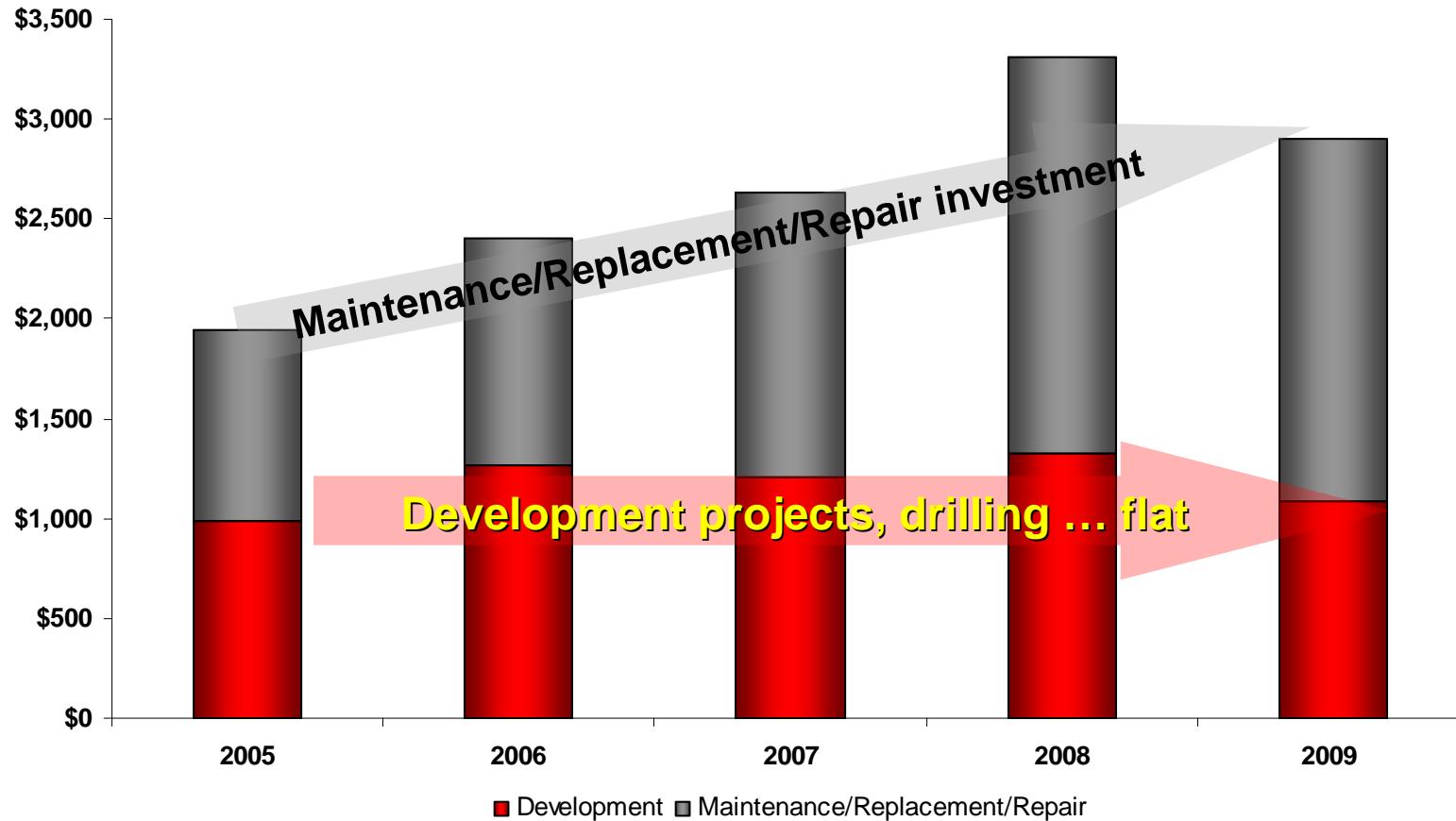


# Alaska Industry Acreage Reduction



# Core Field Investments Extend Field Life

Prudhoe, Kuparuk, Alpine (Core fields) gross investments include **capital/operating expense, \$MM**



**Maintenance investment essential to extending field life**

# Impact of Progressivity

## Example – \$1Billion capital investment

\$Bn  
1.0

### Federal (OCS)

- Government takes
- Alaska Offshore Investor Keeps

- Adequate returns in success case justify up front investment risk

0.5

0.0

Invested  
\$1Billion

25

50

75

100

125

Oil Price - \$/bbl

-0.5

1.0

### Alaska

- Government takes
- Alaska Onshore Investor keeps

- Alaska onshore fiscal terms: Risk / reward is out of balance

0.5

0.0

Invested  
\$1Billion

25

50

75

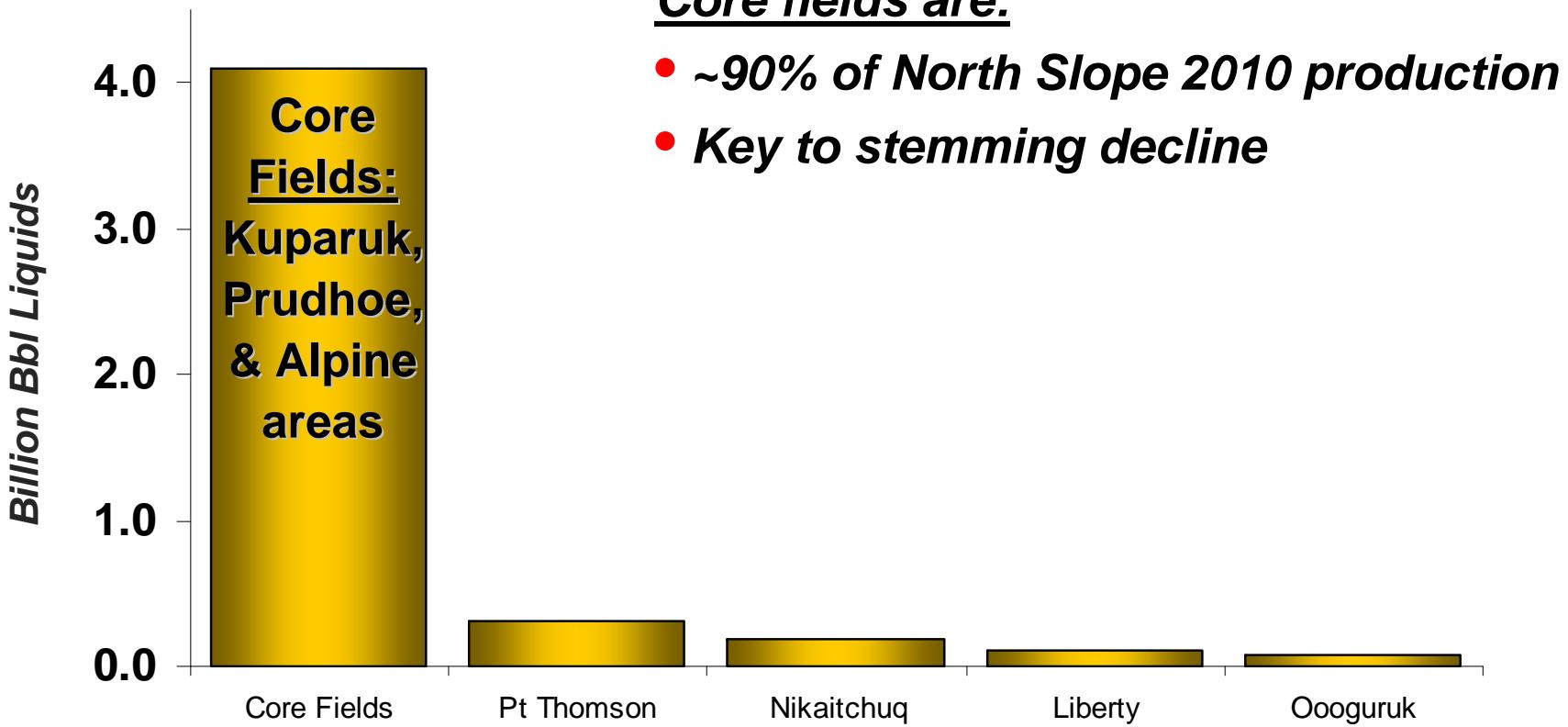
100

125

Discounted cash flow

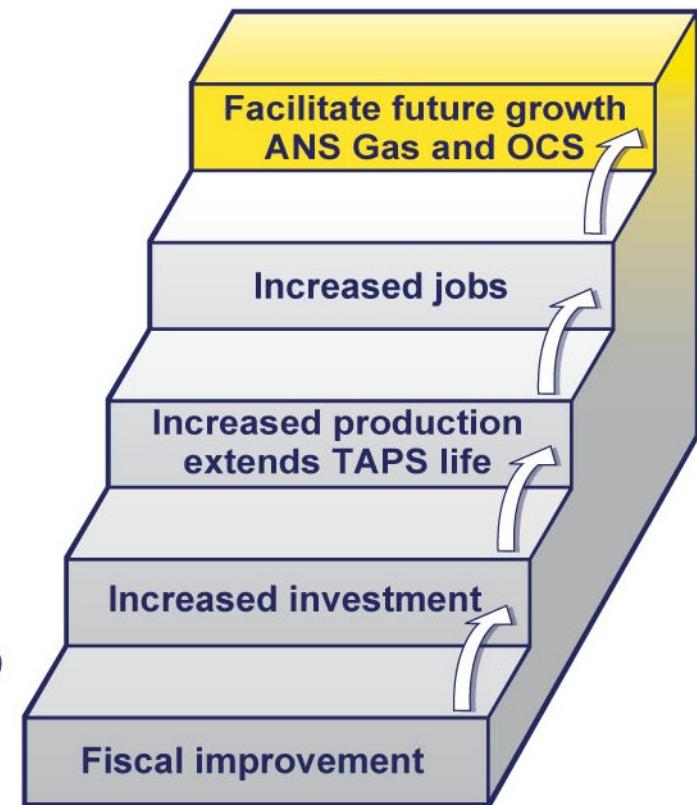
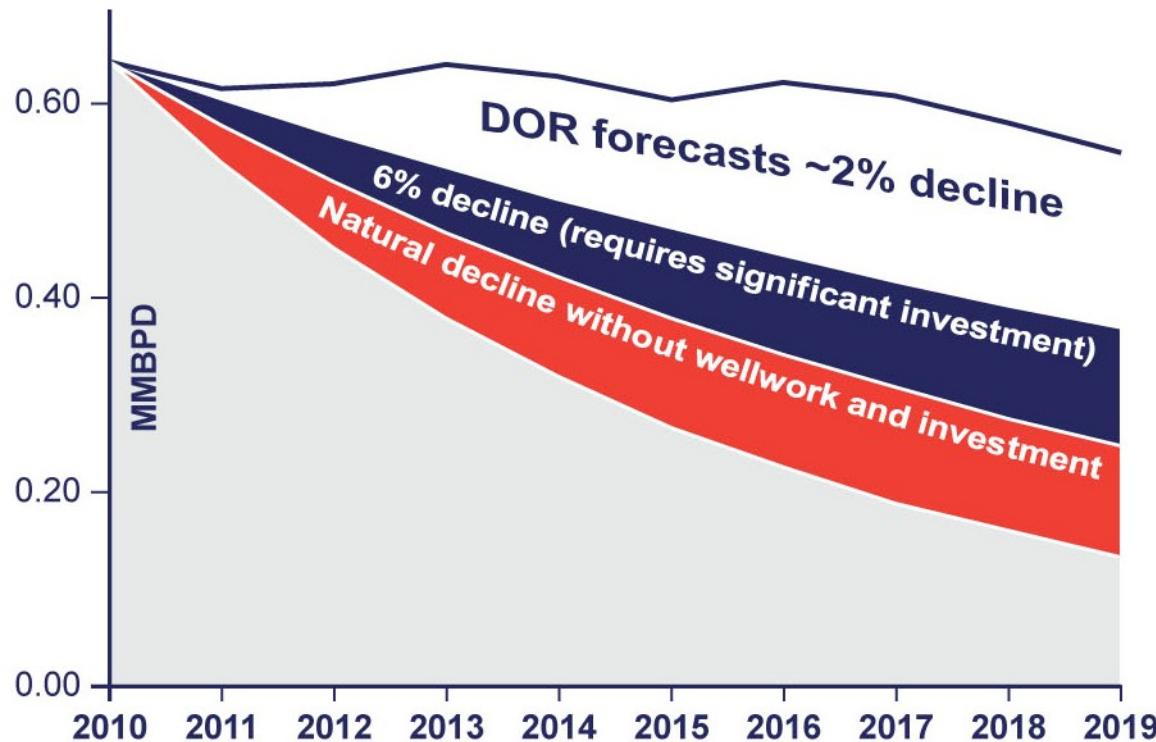
-0.5

# North Slope Remaining Barrels



**Core fields are dominant source of state production**

# Alaska's "Bridge" to Growth Projects



Future production dependent upon investment

Sources: DOR North Slope production forecast and extrapolation of DOR expenditures forecast  
ConocoPhillips estimates for base decline rate

# ConocoPhillips Supports HB110

## ■ Existing Units

- Bracketing Progressivity is critical component
- Moves Alaska toward a more balanced risk/reward environment
- Incentivizes investment in core fields and existing units
- Supports longer term projects / longer term investment

## ■ Improved Well Credits

- Incentivizes well related activity
- Increased drilling/workovers provide additional short-term jobs
- Support language being clarified to include workovers

## ■ Administrative Improvements

- Audit period to 4 years – provides improved tax payment predictability
- Interest – eliminates punitive rate for good faith tax filings
- Monthly vs. annual progressivity – improves alignment on cost and revenue calculations

## ■ Effective Date

- COP believes effective dates should be accelerated by 1 year

**HB110 Improves Alaska Investment Climate**