

# **House Finance Committee**

## **HB 411**

**ConocoPhillips Alaska**

**April 11, 2018**

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# Pipeline of Projects on the Western North Slope

## GMT1

- ~ 25,000-30,000 BOPD\*
- First oil planned late 2018
- ~700 construction jobs
- ~\$1 billion gross

## GMT2

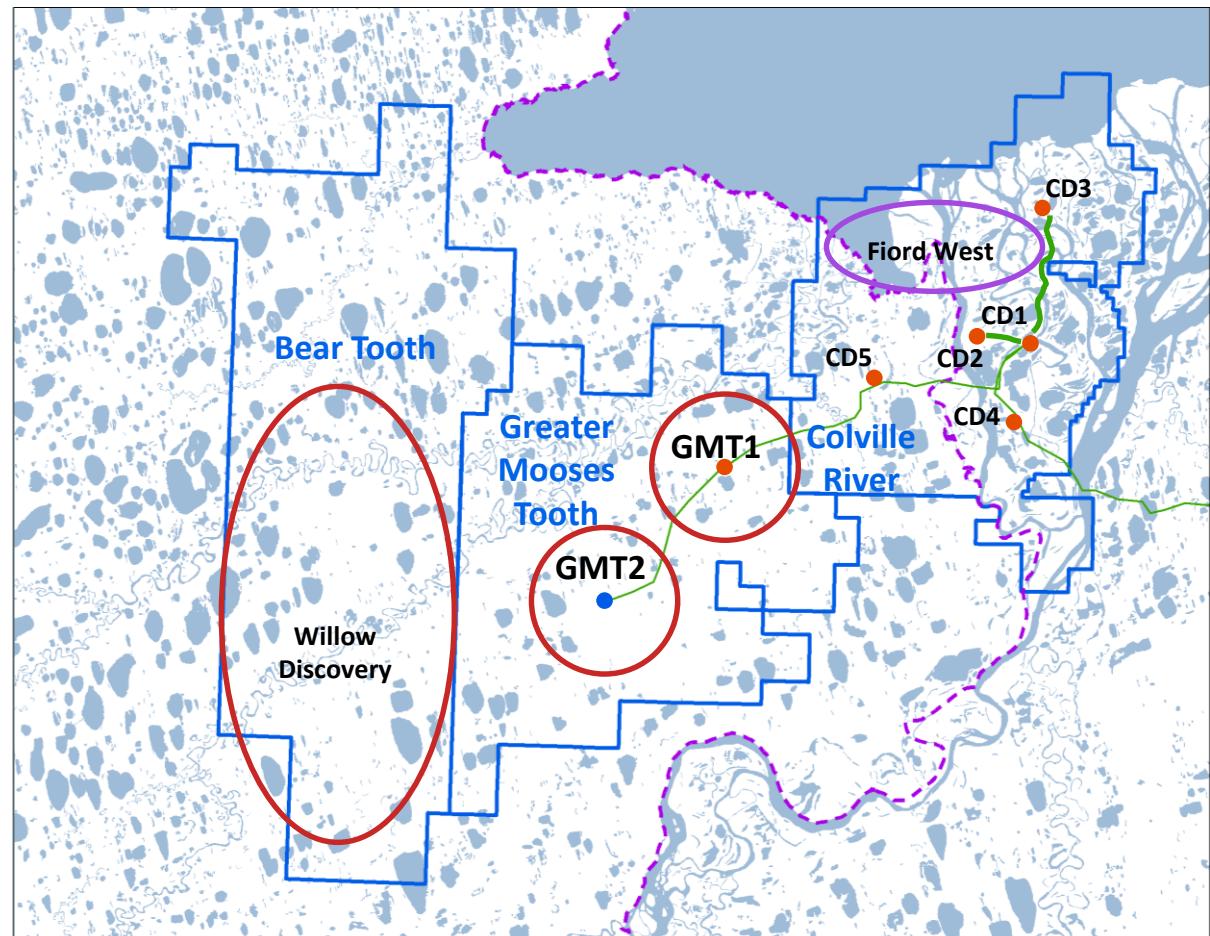
- 25,000-30,000 BOPD\*
- First oil planned late 2021
- ~700 construction jobs
- ~\$1.5 billion gross

## Fiord West

- 20,000 BOPD\*
- First oil planned Aug 2020

## Willow Discovery

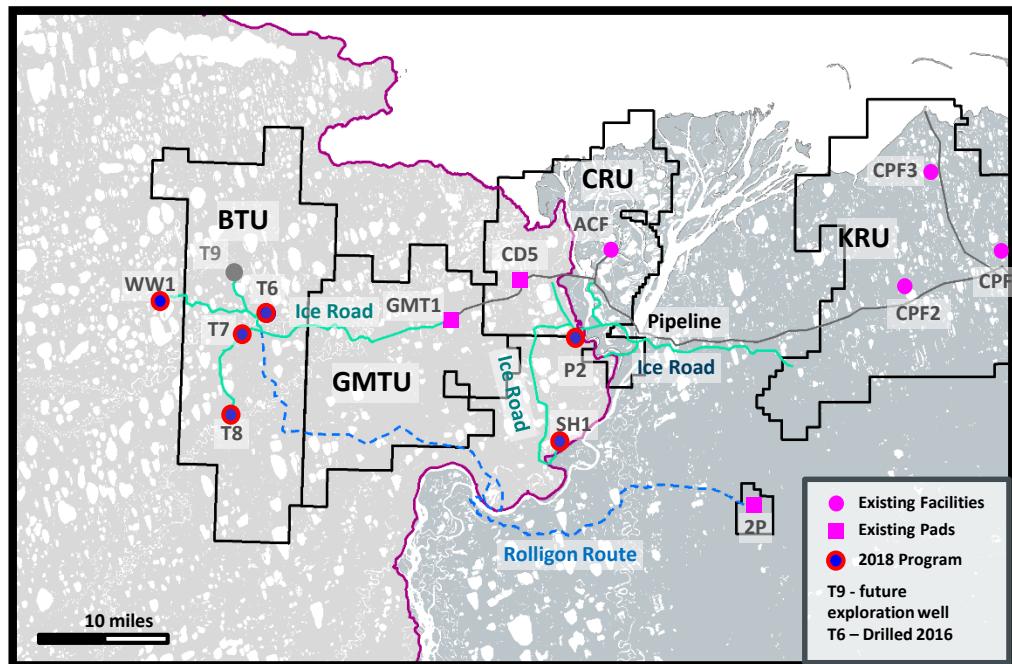
- 100,000 BOPD\*
- First oil possible as soon as 2023
- Multi-billion dollar investment
- Potential for hundreds of direct jobs, thousands of construction jobs



**Recent North American drilling record for longest horizontal lateral**

\*Estimated peak gross production.

# 2018 Exploration – Three-Rig Program



## ConocoPhillips NPRA acreage

- 594,972 gross acres acquired in late 2016
- 79,998 gross acres acquired in late 2017
- 1,000,000+ gross acres in NPRA

## Willow appraisal and exploration

- 3 wells: T7, T8 and West Willow 1 (WW1)
- 3 potential well tests (T6, T7, T8)
- 37+ miles of ice road and 5 ice pads
- Drilling rig - Doyon 141

## Stony Hill (SH1) exploration

- 1 well: 1 slant + 1 vertical
- 1 potential well test
- 17+ miles of ice road and 1 ice pad
- Drilling rig - Arctic Fox

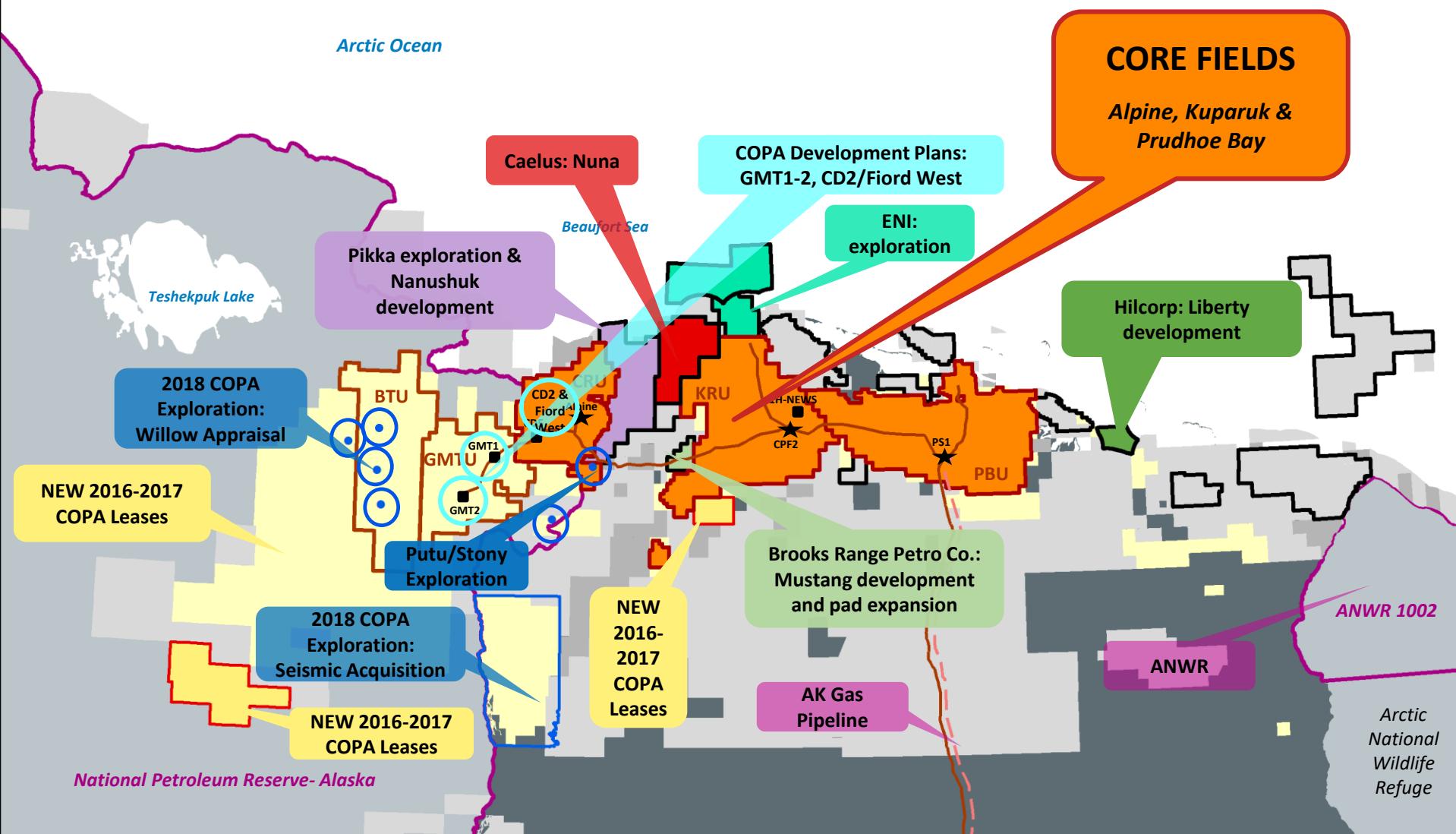
## Putu (P2) exploration (state land)

- 1 well: 1 slant + 1 vertical
- 1 potential well test
- 1 mile of ice road and 1 ice pad
- Drilling rig - Kuukpik 5

250 sq. mi. seismic program

**Largest Exploration Program Since 2002**

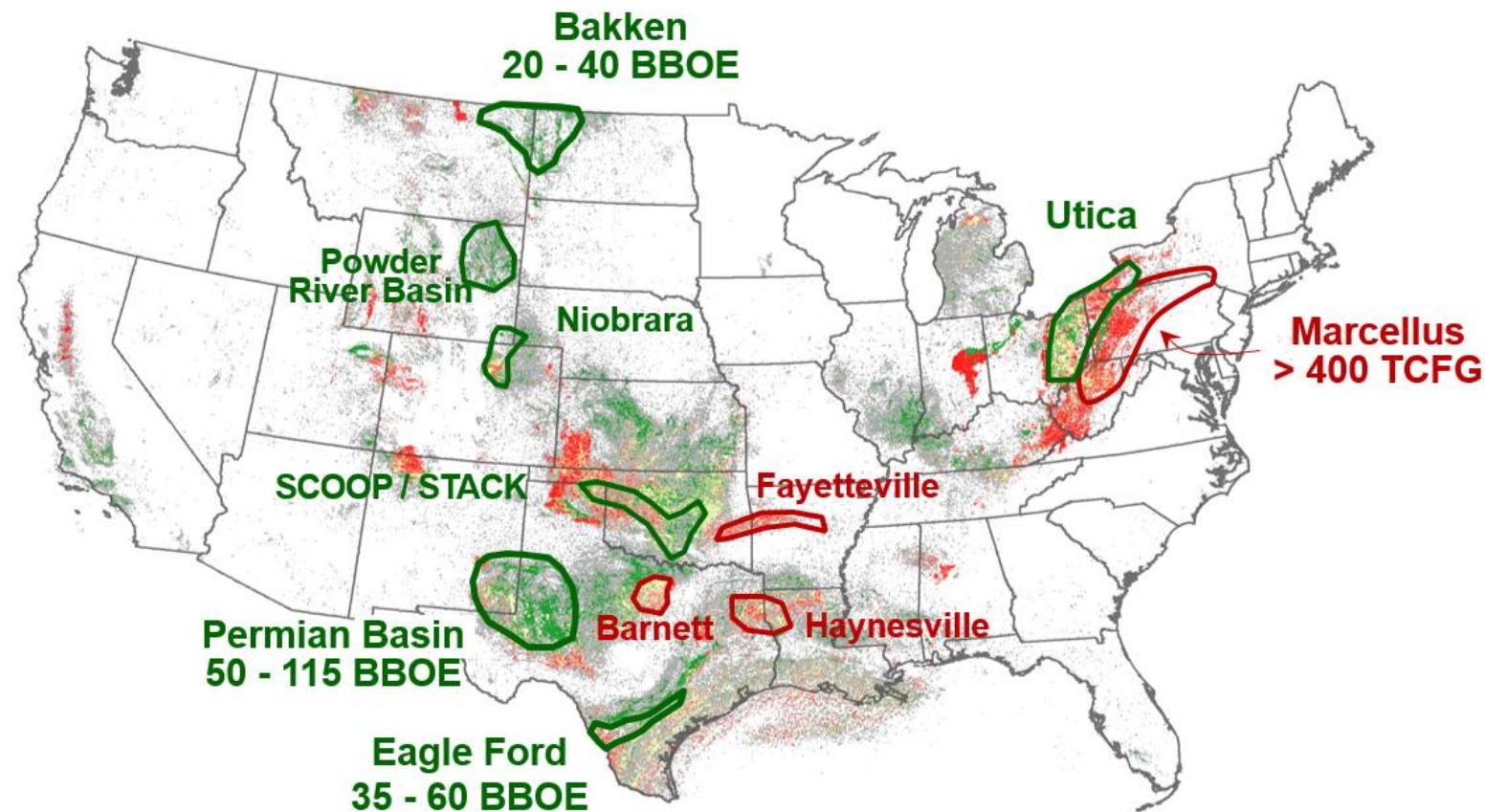
# Robust North Slope Investment Outlook



Industry Projects Representing Hundreds of Thousands of BOPD and Billions in Capital

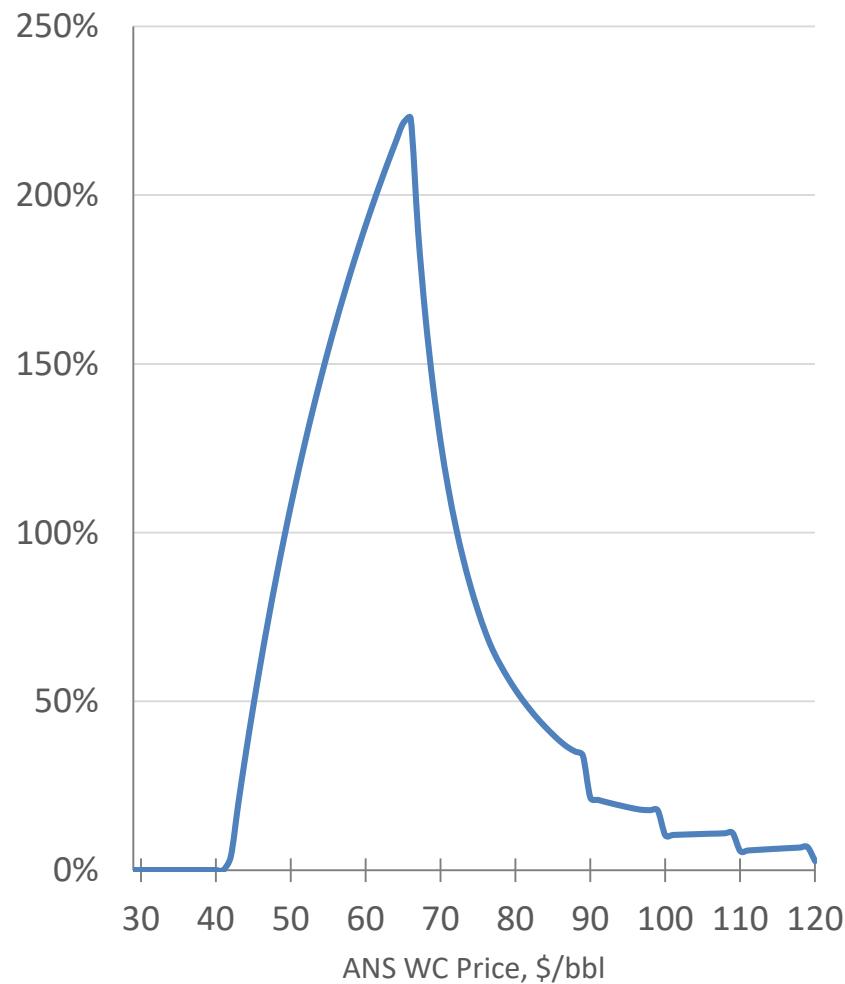
# Unconventional North American Fields are Alaska's Competition

- Enormous resource potential
- Tens of thousands of drilling opportunities
- Lower cost of supply
- Closer to market
- Easier to permit
- **Stable fiscal policies**

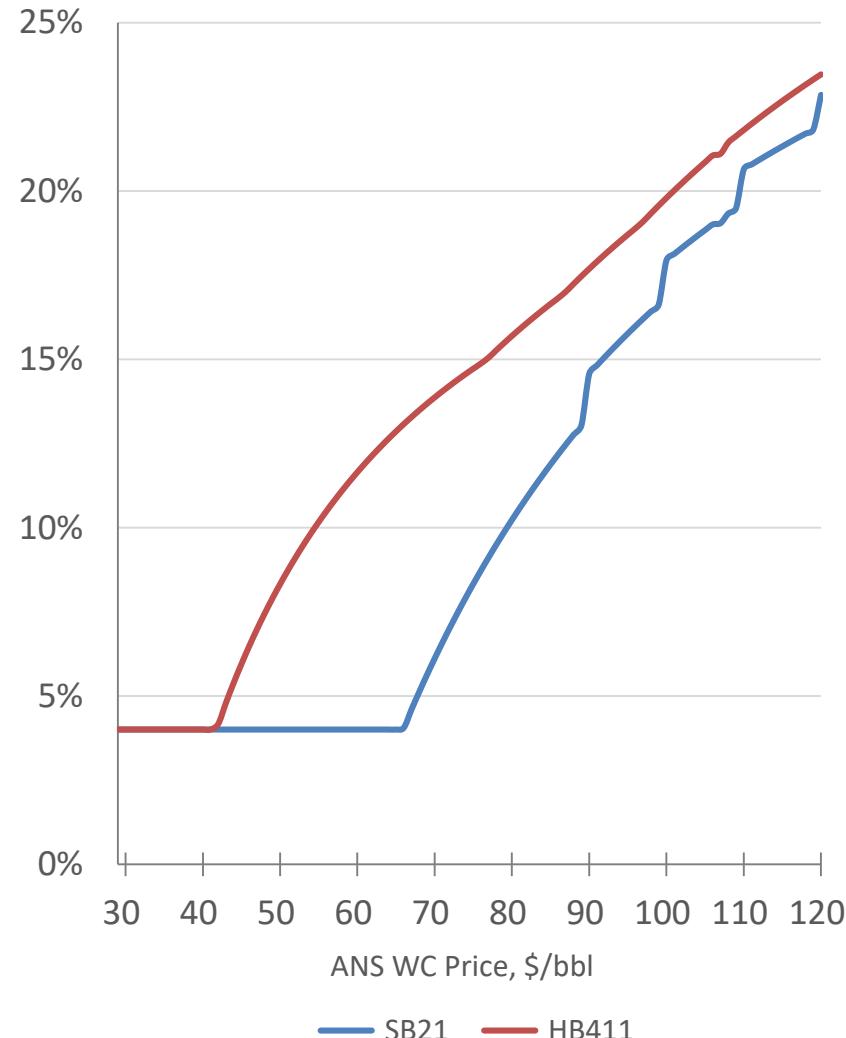


# Increase in Production Tax from HB 411

Increase in Production Taxes under HB411

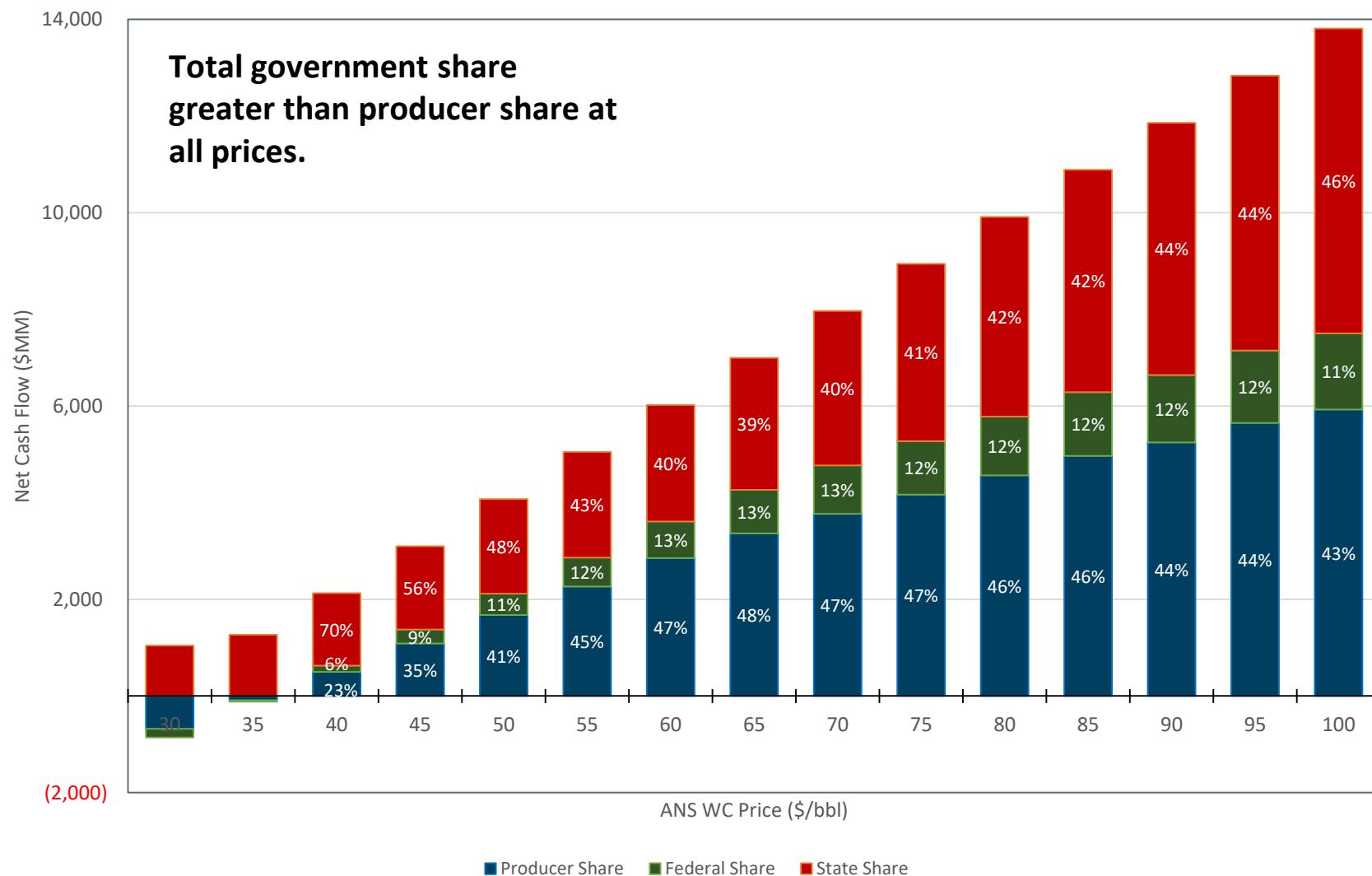


Production Tax as % of GVPP



Estimated using FY 2019 projections from the Fall 2017 Revenue Sources Book.

# FY 2018 State/Fed/Producer Share vs ANS WC - Fall 2017 RSB Assumptions



Estimate generated using Fall 2017 Revenue Source Book assumptions and a 21% federal tax rate for entire fiscal year. State share shown excludes tax credits other than per barrel tax credits. State revenue includes income tax, property tax royalty and production tax.

# HB 411

- Costs matter: Taxes and royalties are only part of the equation. Total cost drives competitiveness.
- Bill raises taxes at lower prices
  - 100%+ increase in tax at \$50/bbl; 220% increase at \$66/bbl
  - Will likely cause reduced investment at times when economy and North Slope needs more investment, not less
- Alaska still competes because:
  - Focus on cost reduction and efficiencies
  - Core SB21 structure unchanged in 4+ years
- Oil and gas investment leads to more jobs and state revenue – key part of the solution to the State's fiscal gap
- The North Slope is on the cusp of significant spending for new fields
  - Maintaining SB21 competitive fiscal framework will encourage investment
- Recommend AGAINST passage of HB 411