

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

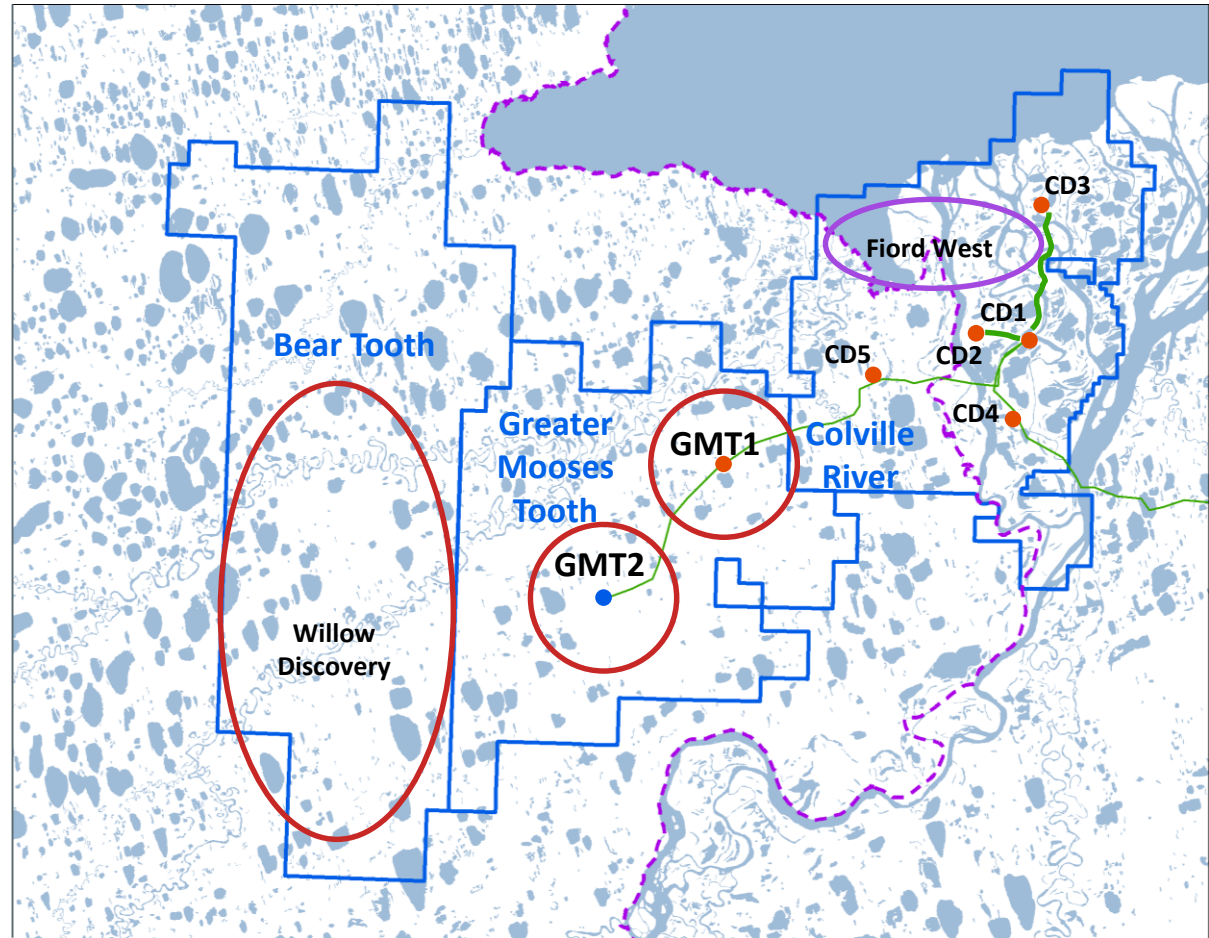
- 25,000-30,000 BOPD*
- First oil planned late 2021
- ~700 construction jobs
- ~\$1.5 billion gross

Fiord West

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

Willow Discovery

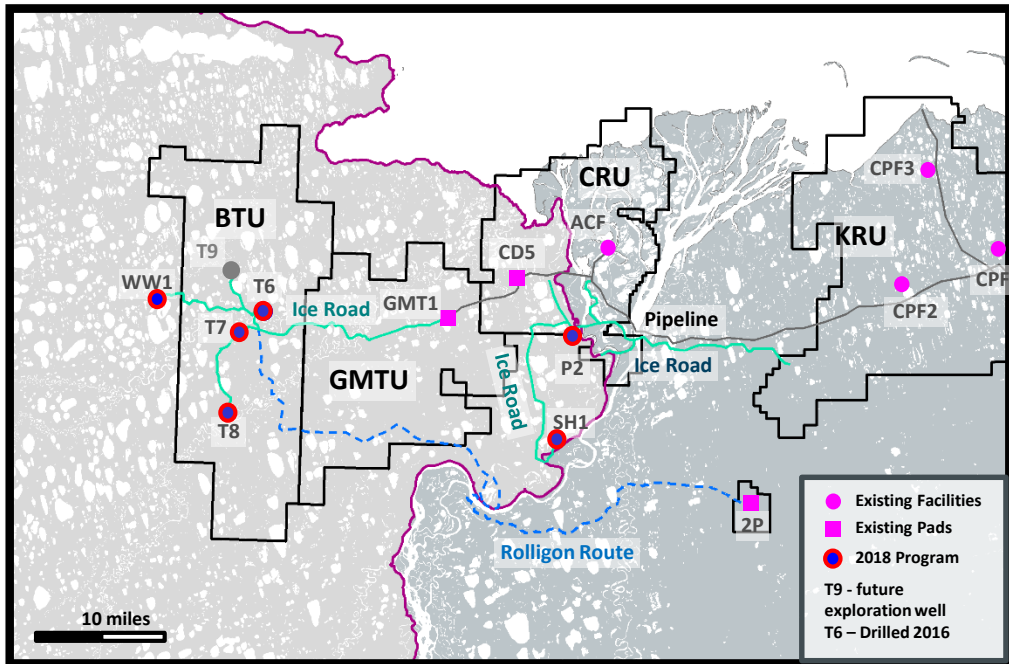
- 100,000 BOPD*
- First oil possible as soon as 2023
- Multi-billion dollar investment
- Potential for hundreds of direct jobs, thousands of construction jobs



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

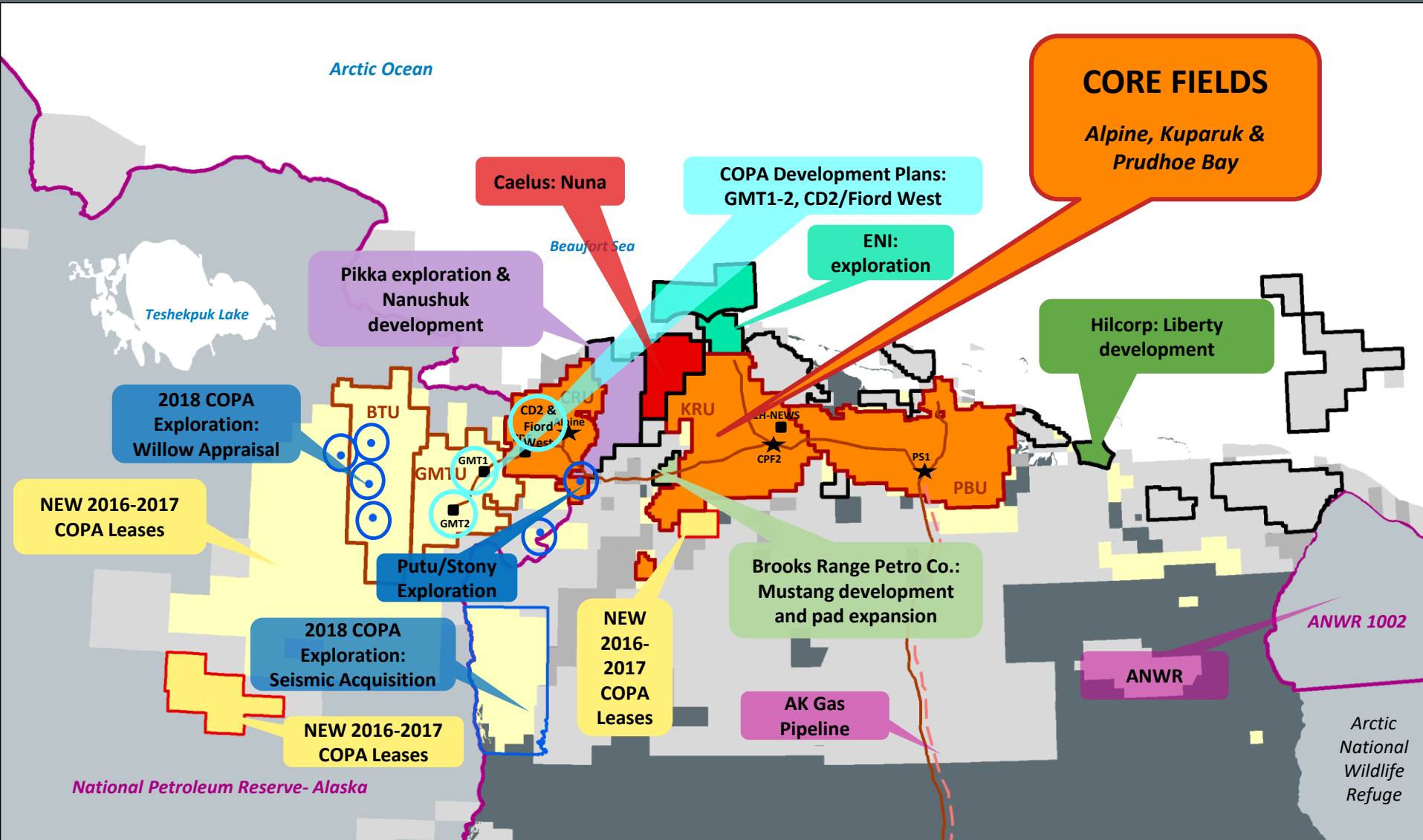
Putu (P2) exploration (state land)

- 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

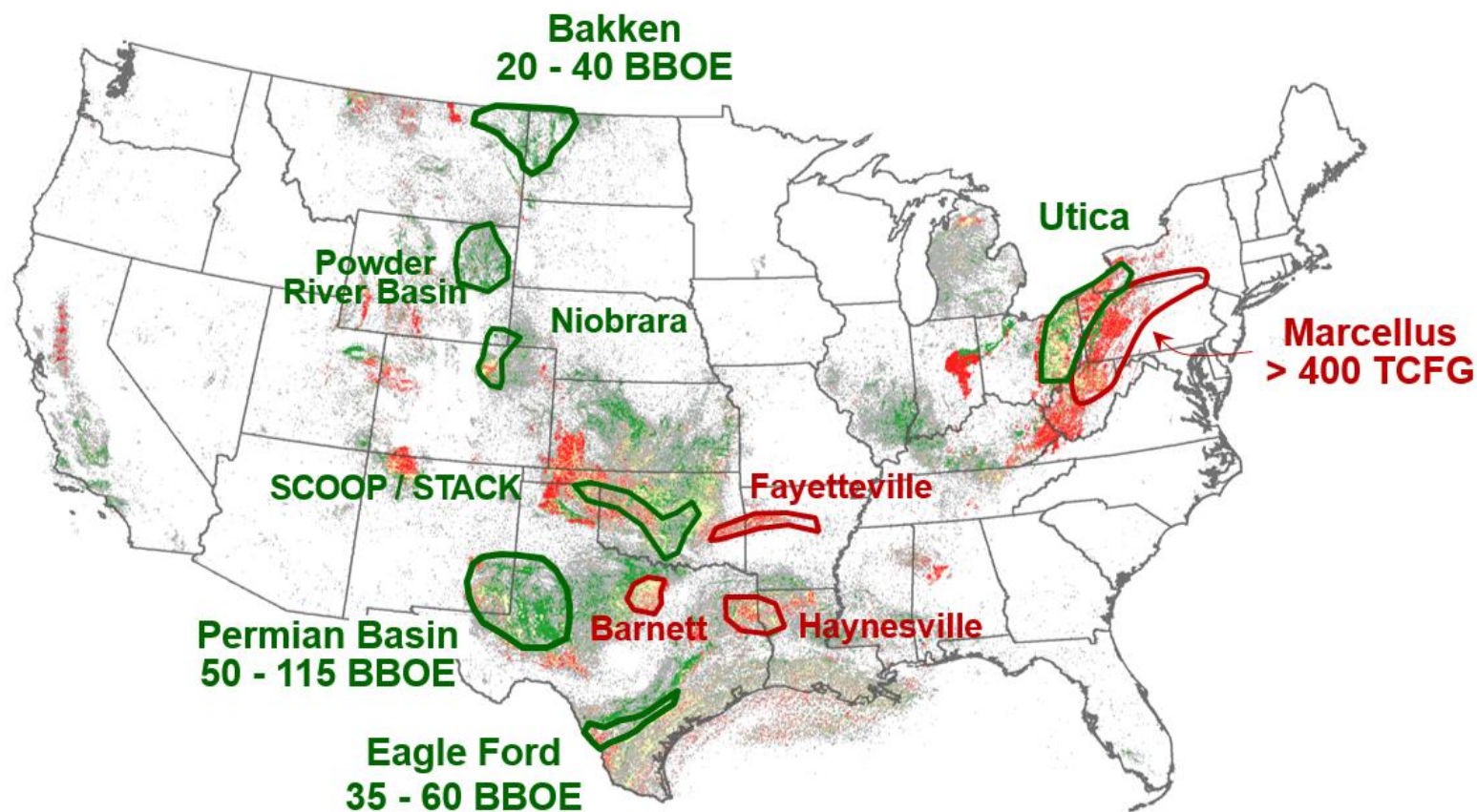
Robust North Slope Investment Outlook



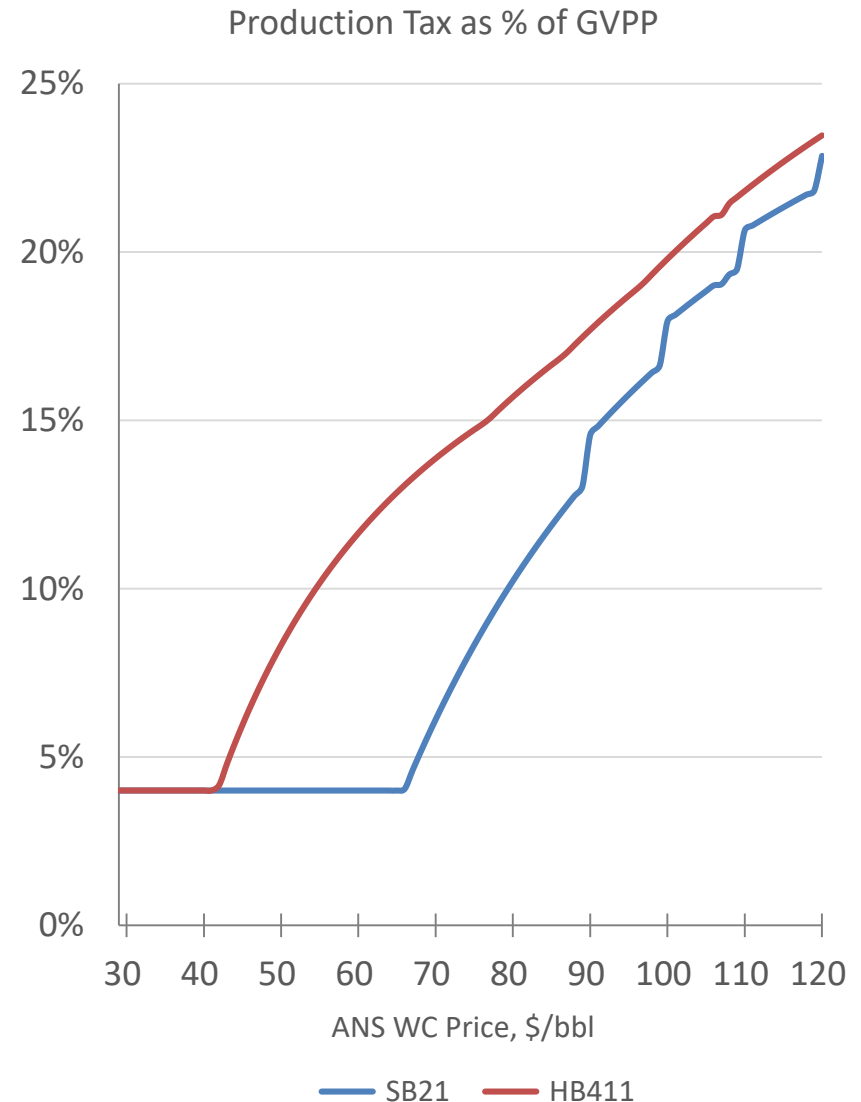
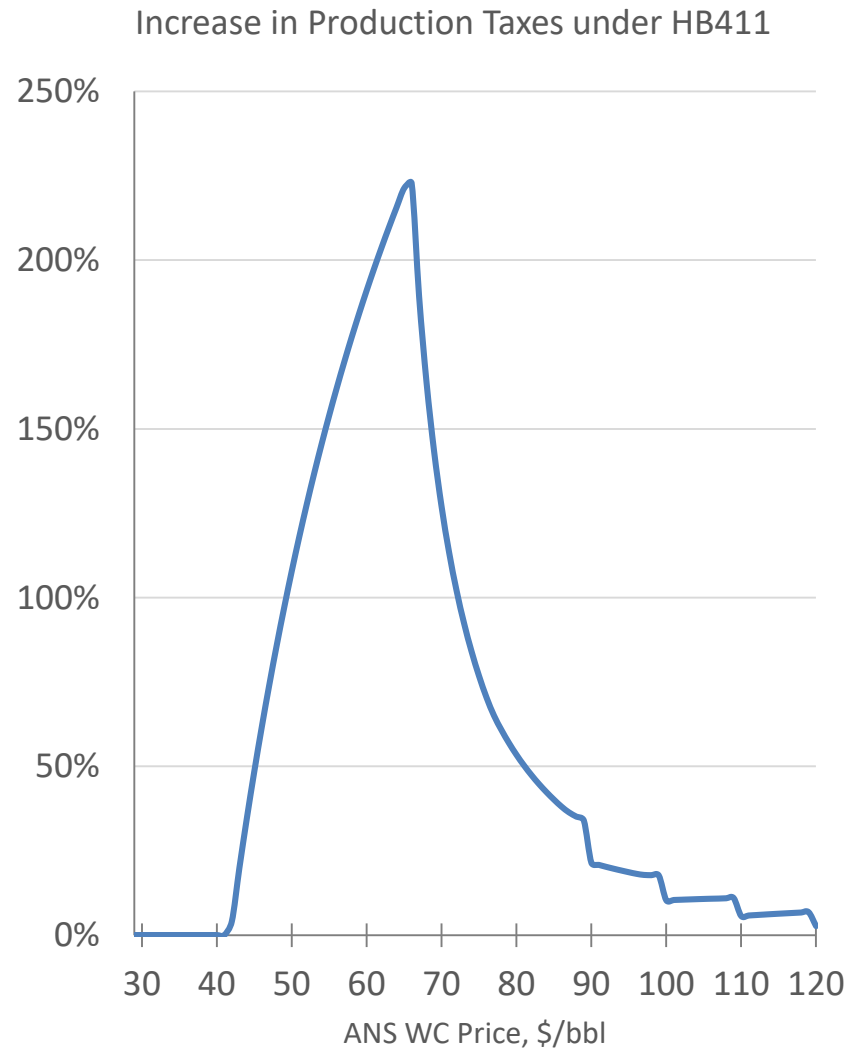
Industry Projects Representing Hundreds of Thousands of BOPD and Billions in Capital

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**

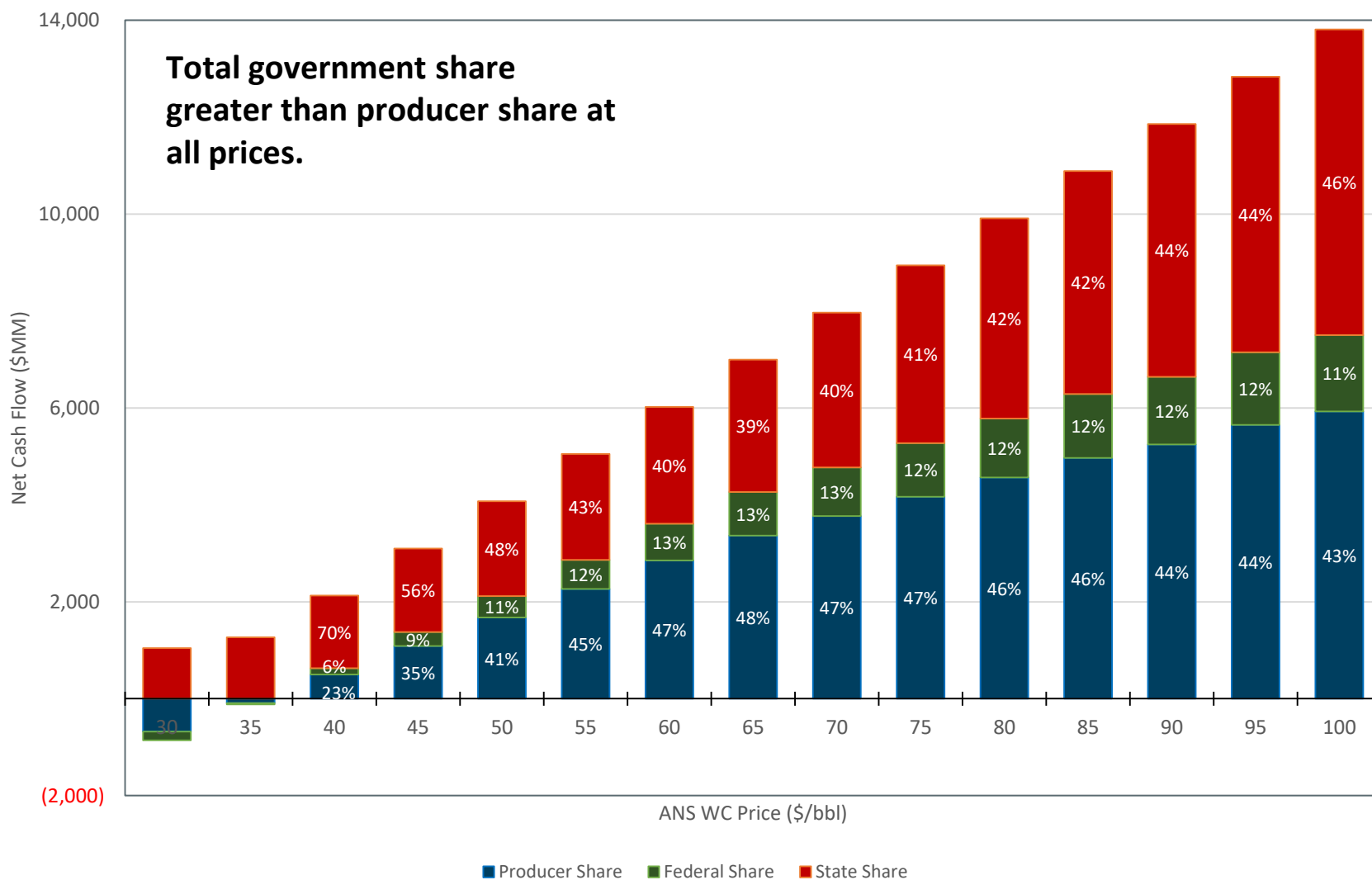


Increase in Production Tax from HB 411



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.

- 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