

House Finance

HB 110

ConocoPhillips Alaska
Wendy King – VP, External Affairs

March 23, 2011



Positive Impact of HB 110

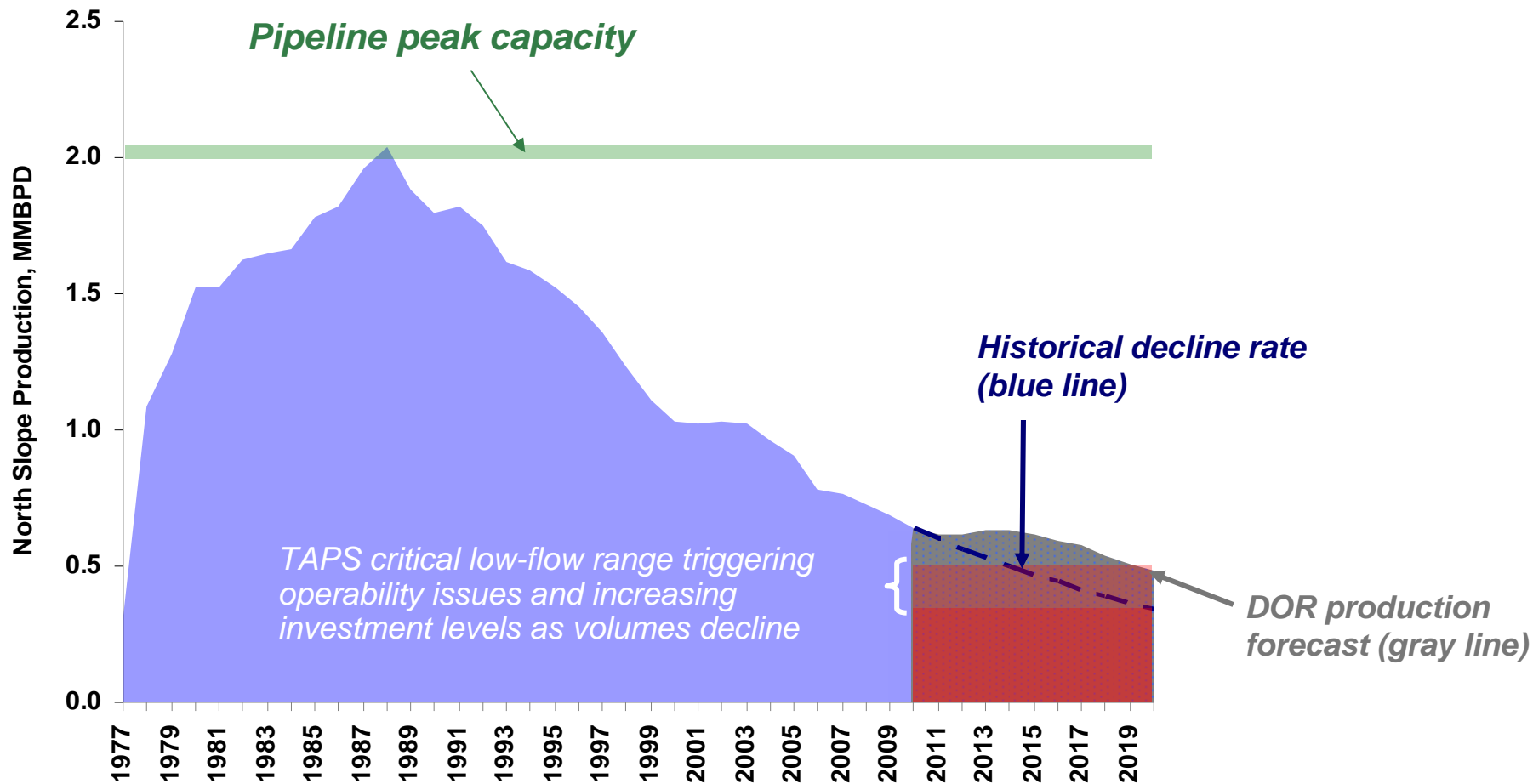
Governor's Objectives

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

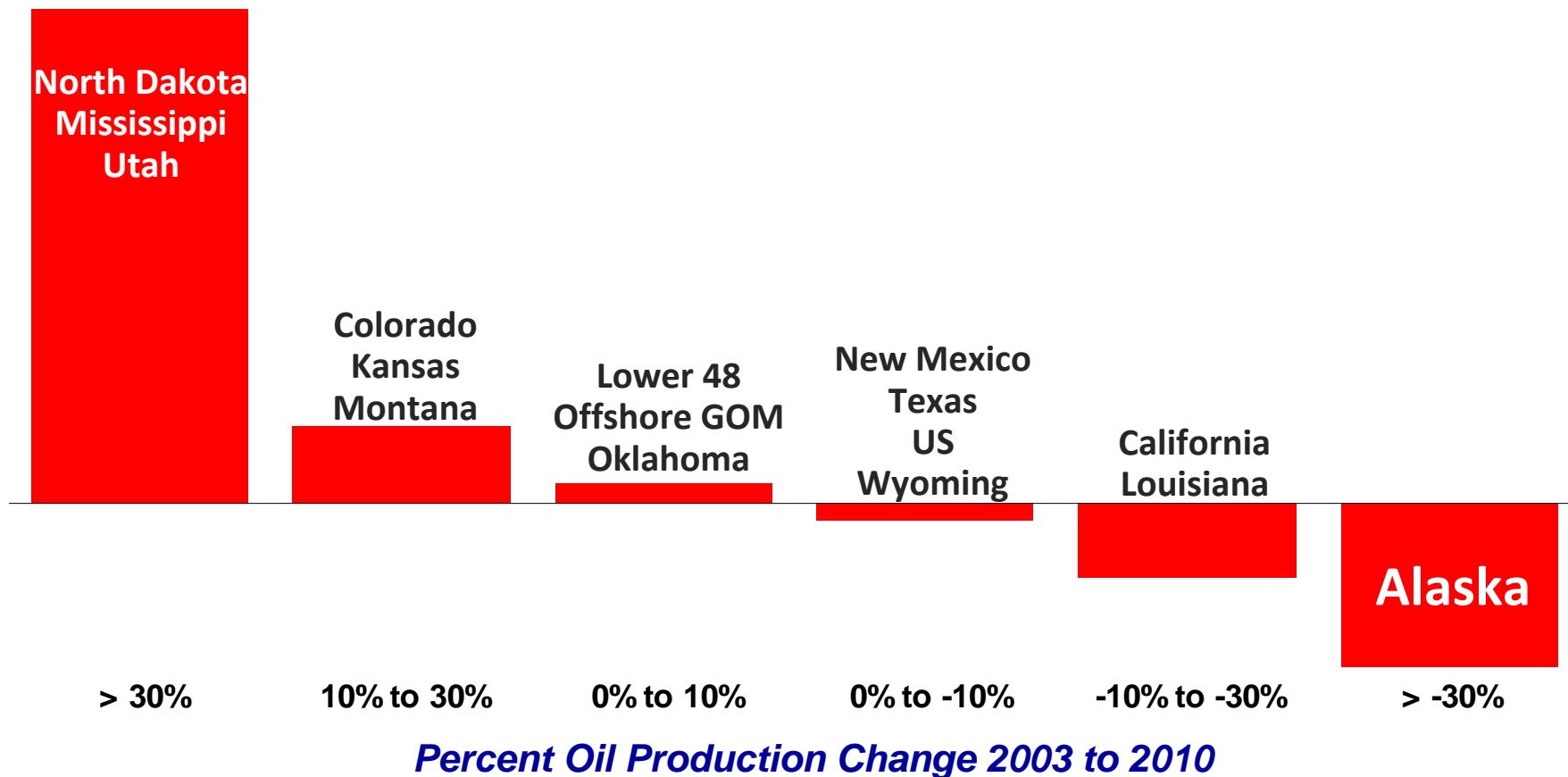
ConocoPhillips' View



More Production Key to TAPS Future

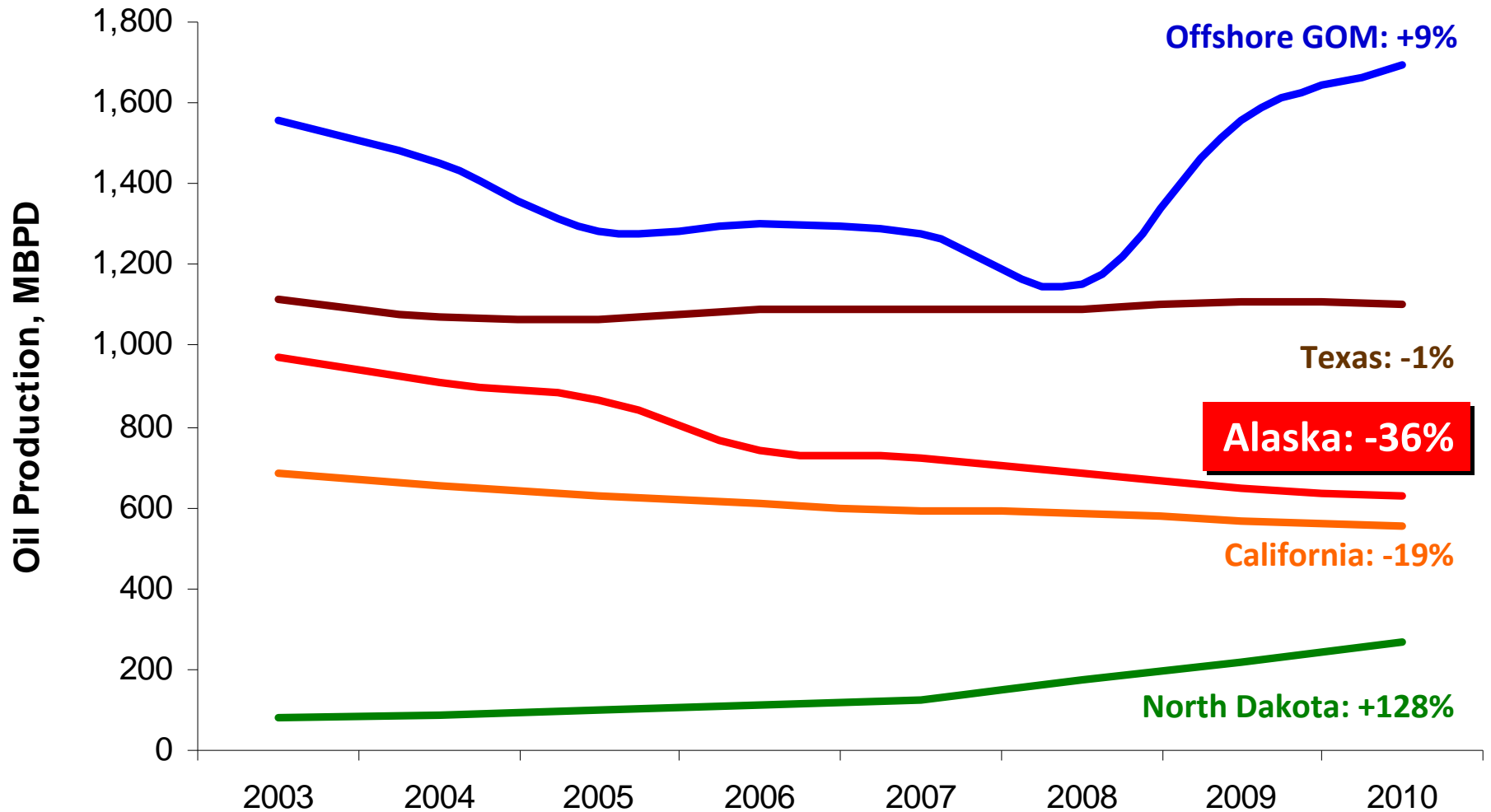


Alaska's Decline Rate Highest in US



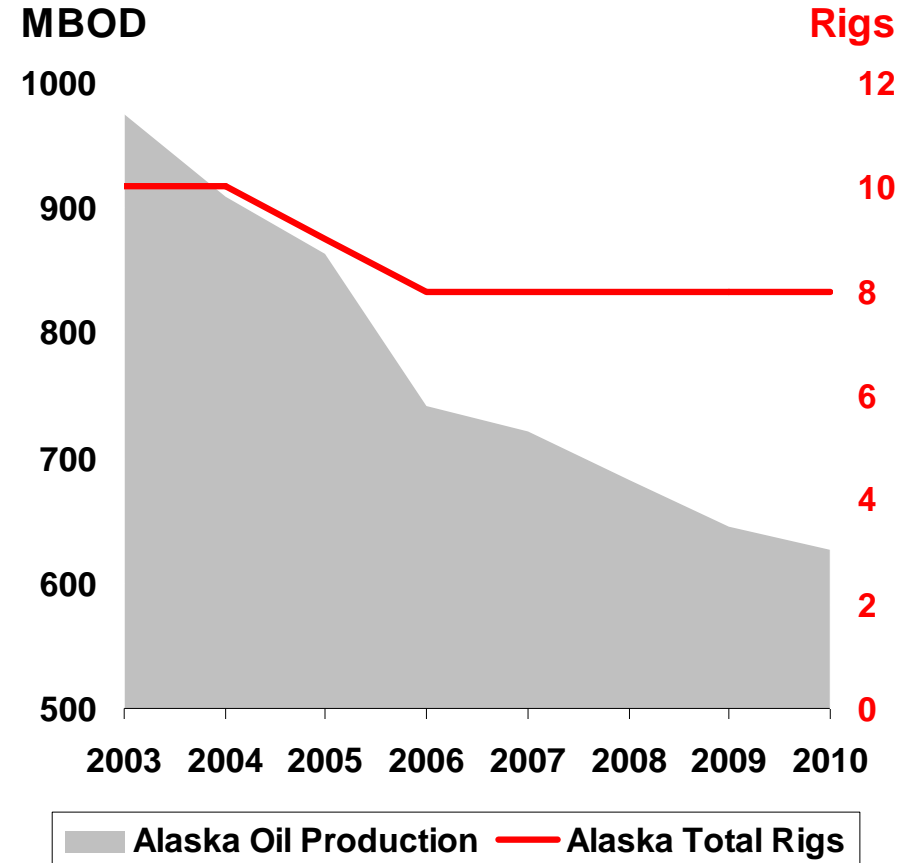
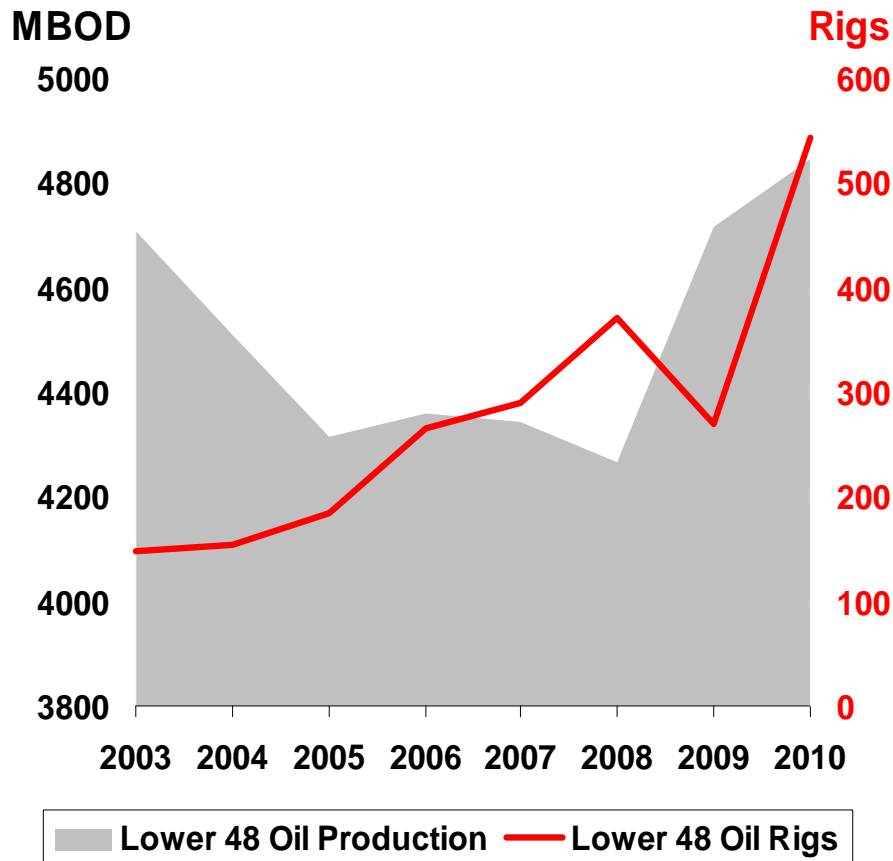
Source: Energy Information Administration
Regions with minimum 50,000 bopd production

Alaska Lags Other Major Oil States



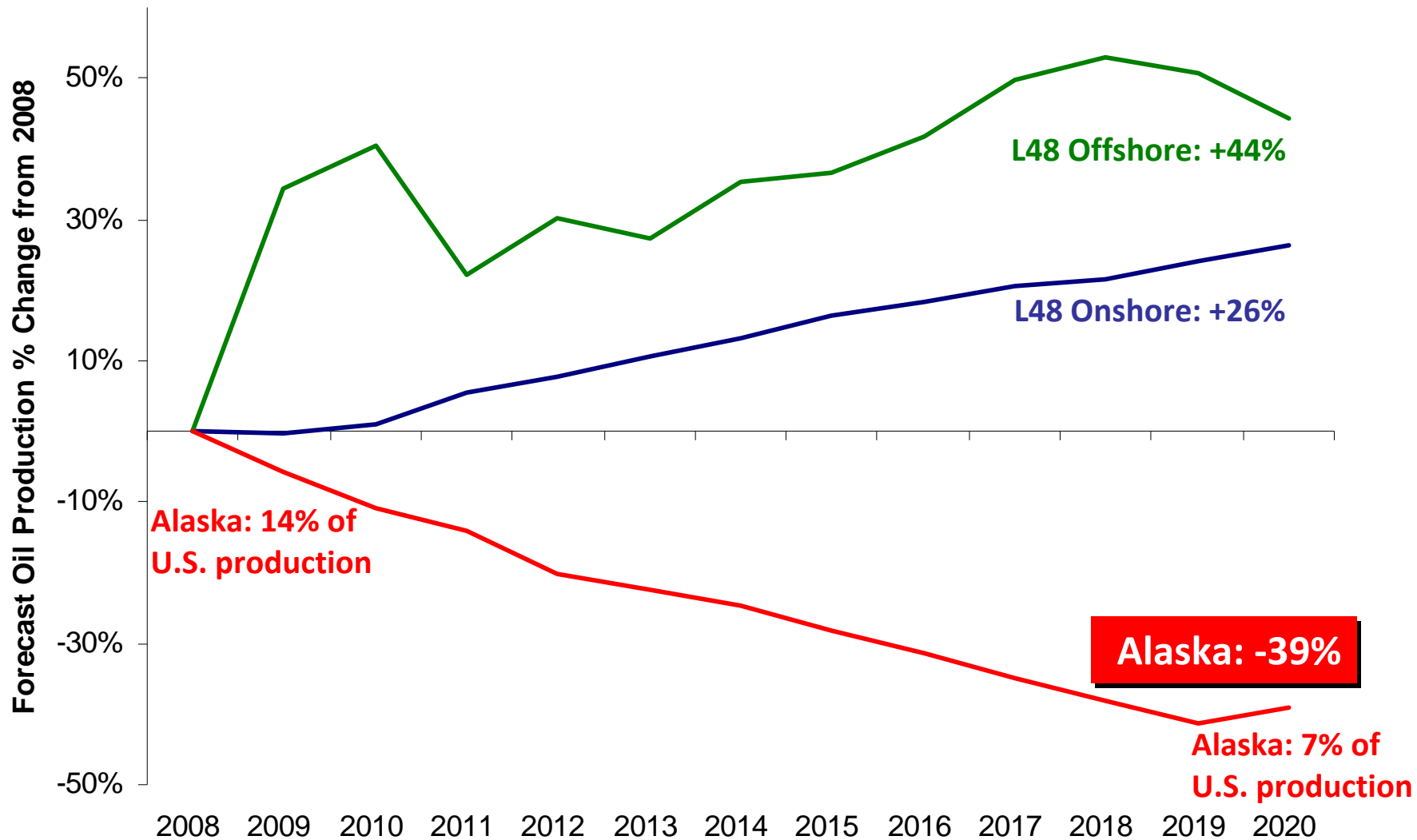
Percentage production changes are all 2010 vs. 2003

Why Isn't Alaska Booming at \$100/bbl?

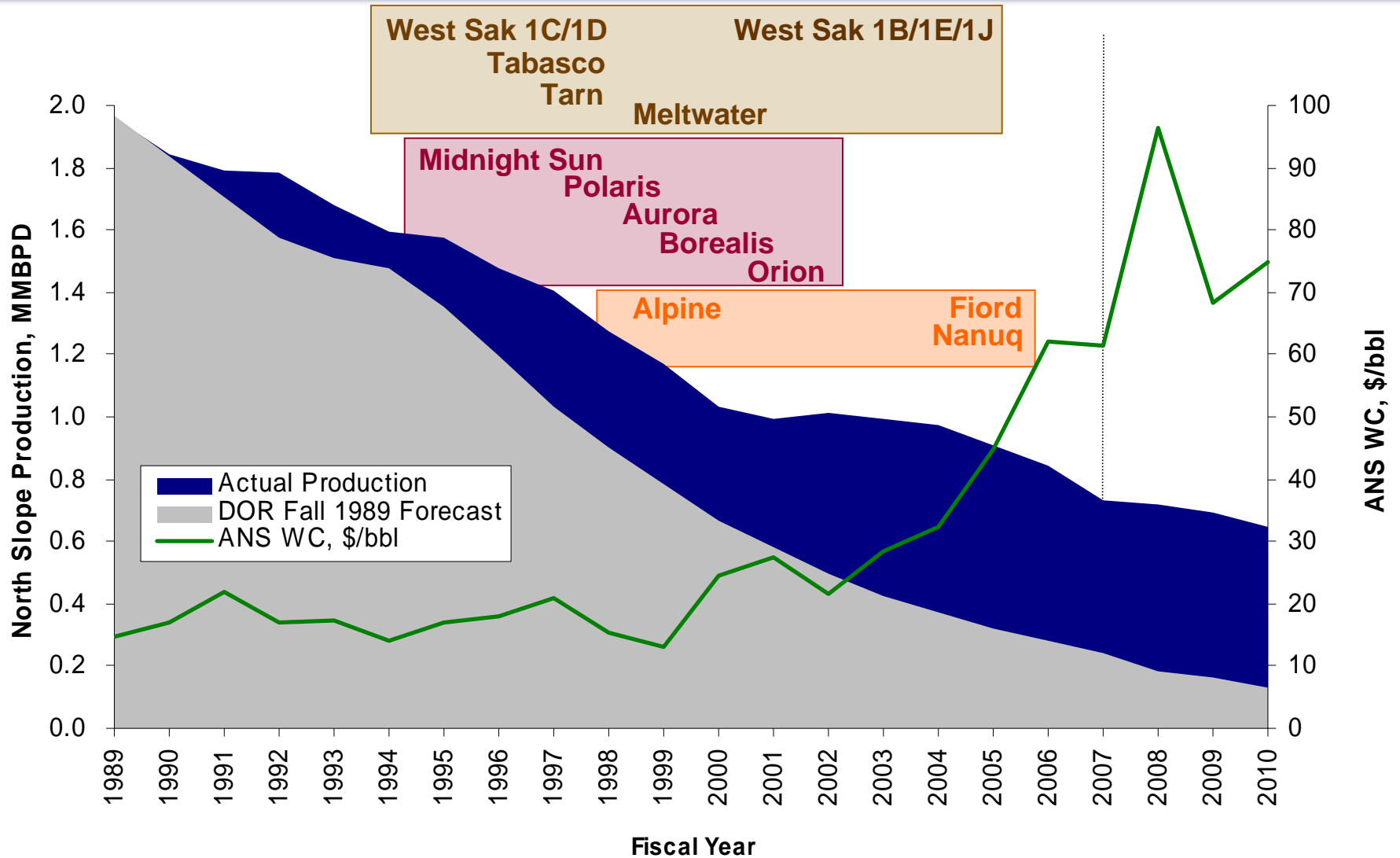


Is This the Future We Want for Alaska?

Alaska Forecasted to Fall Further Behind



ELF Generated Significant Incremental Production



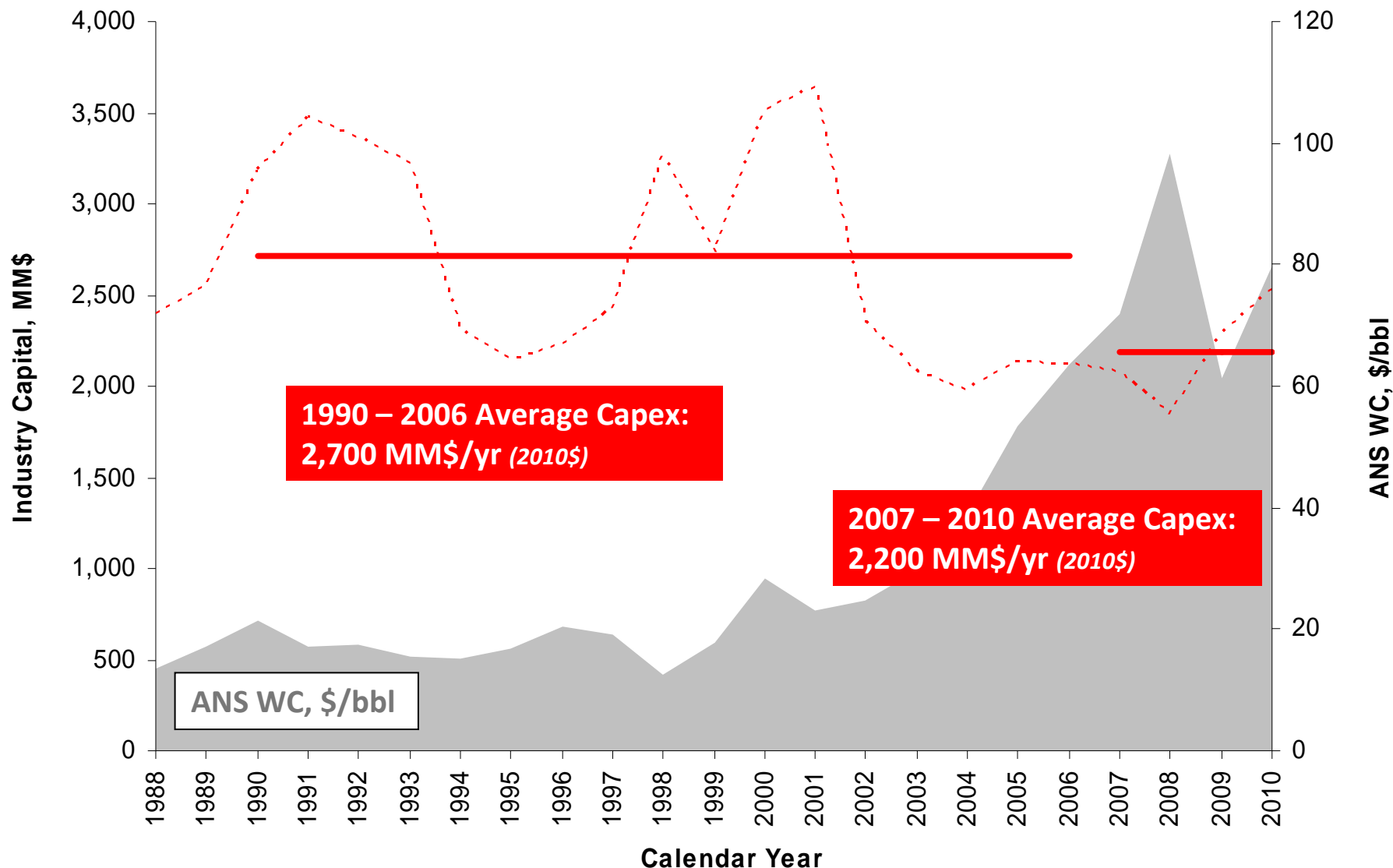
Source: Production forecast: DOR Fall 1989 Revenue Sources Book

Actual production: DOR website, <http://www.tax.state.ak.us/sourcesbook/AlaskaProduction.pdf>

ANS WC pricing: DOR website, <http://www.tax.alaska.gov/programs/oil/oilprices/ansyearly.aspx>

Satellites timing: ConocoPhillips Internal

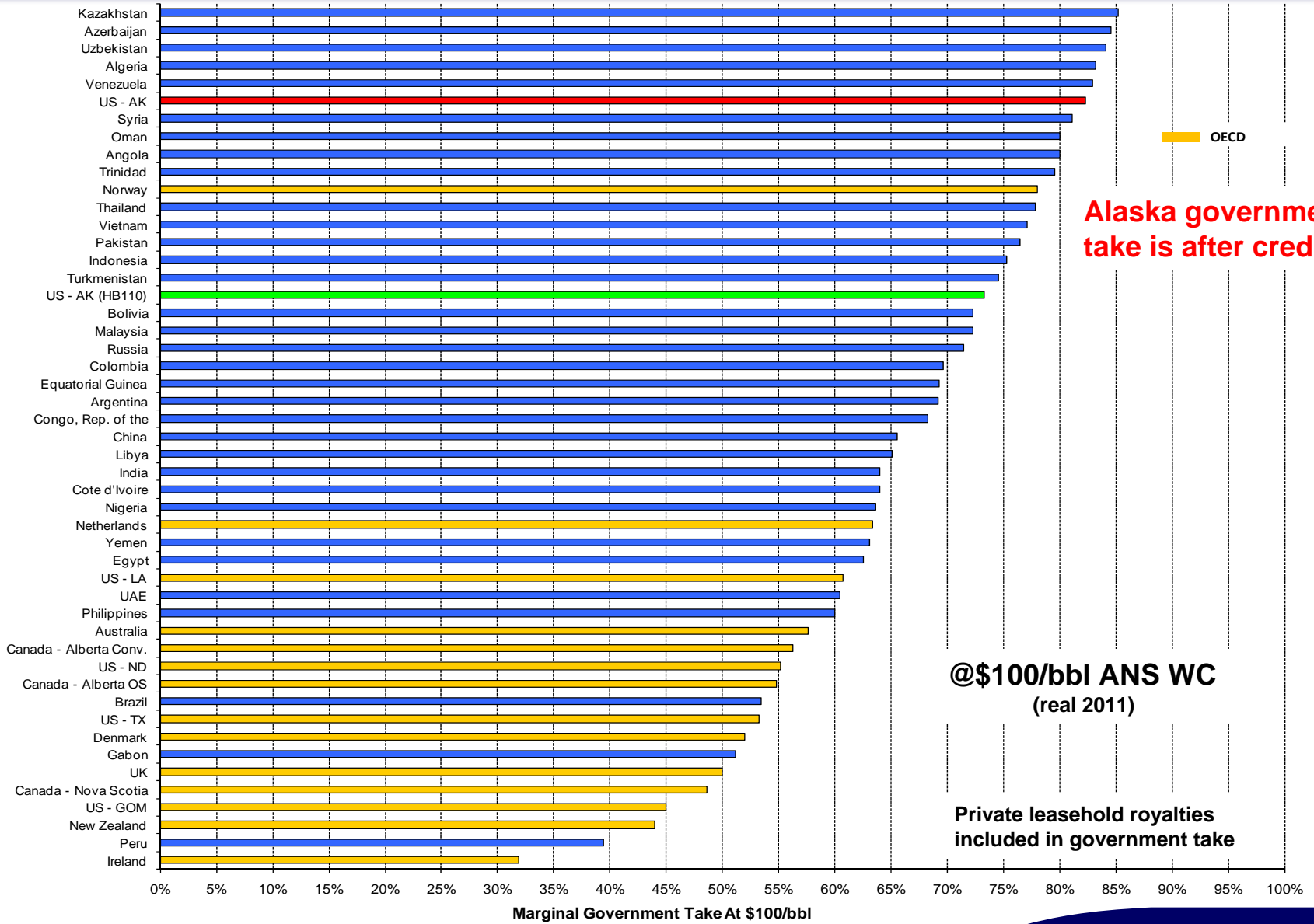
North Slope Investment Under ELF



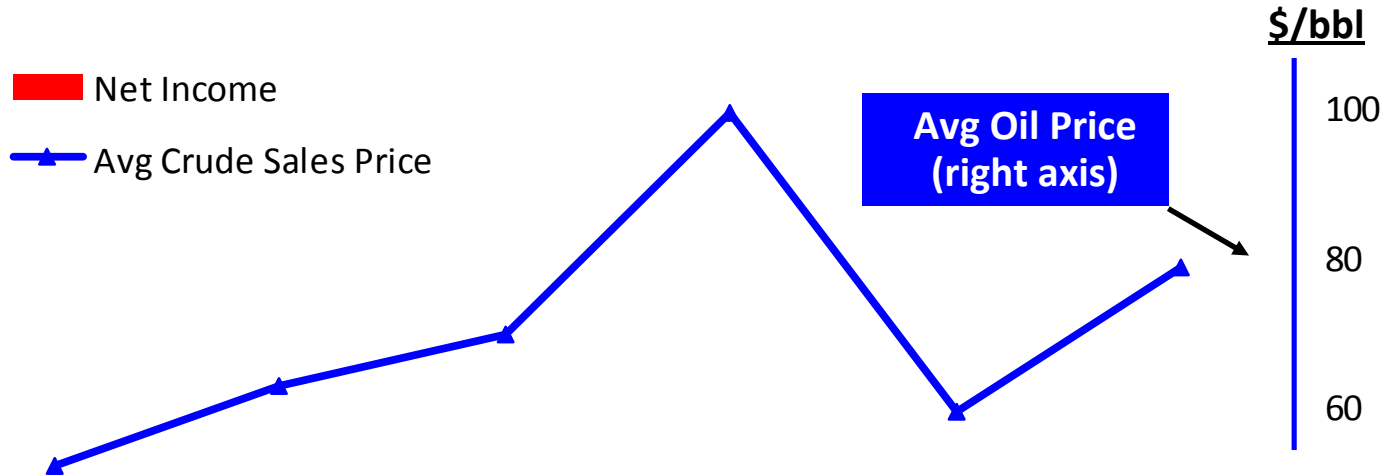
Sources: DOR February 23, 2011 "Response to Questions regarding House Bill 110 on February 11, 2011" letter to House Resources Co-Chairs Feige and Seaton
 DOR October 24, 2007 "Capital Spending on North Slope Wells, Field Facilities and Exploration" letter to Legislature
 CERA and BLS oil and gas industry cost indexes

Alaska Not Competitive

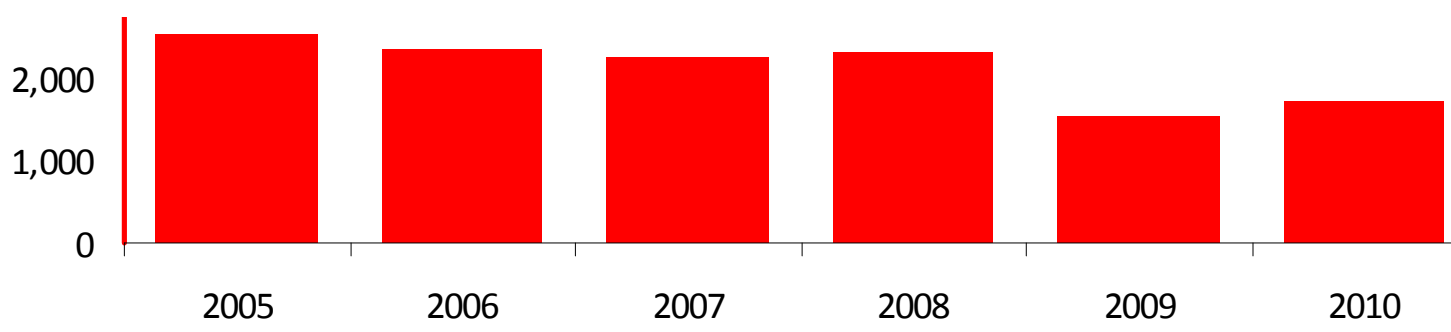
Marginal Government Take



Progressivity Removes Upside



ConocoPhillips Alaska
Net Income, MM\$

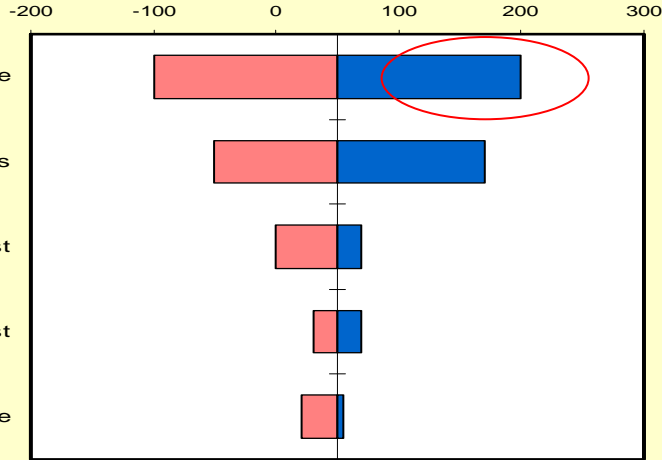


Source: ConocoPhillips 10-K and 10-Q

Risk-Based Decision Making

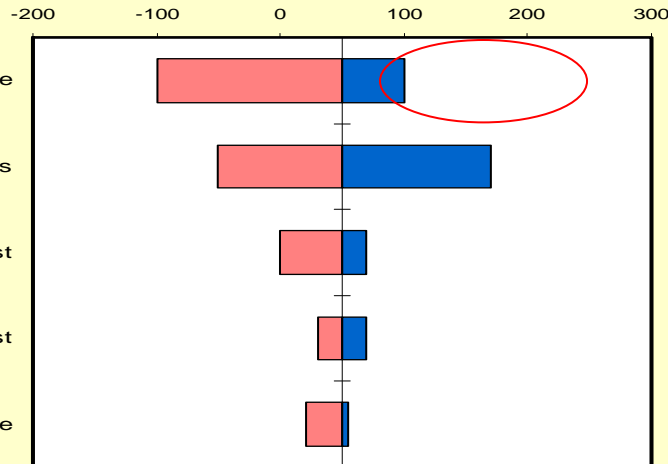
Balanced System

Value Sensitivity

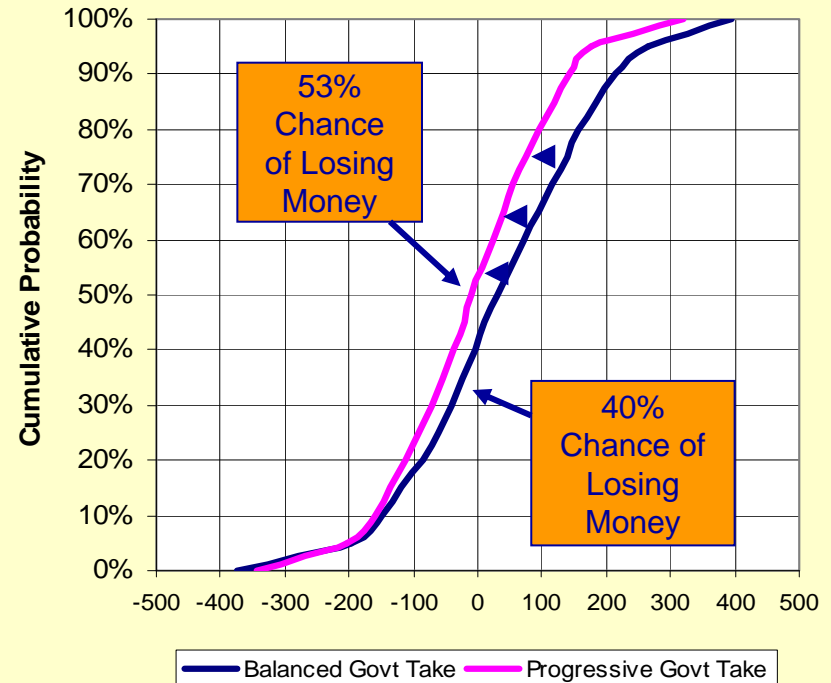


Progressive System

Value Sensitivity

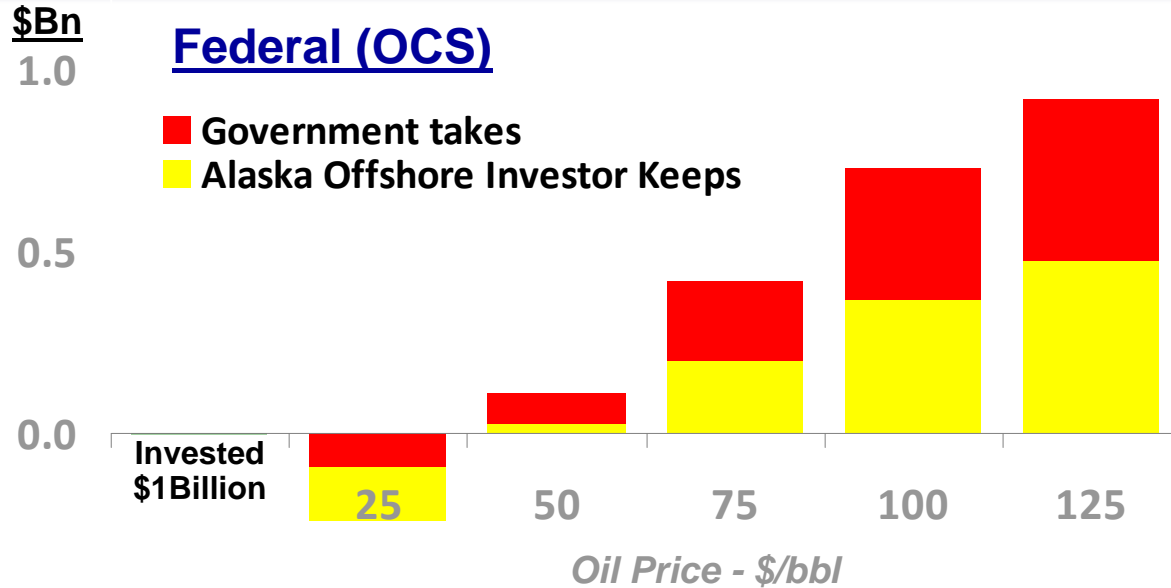


Value Uncertainty

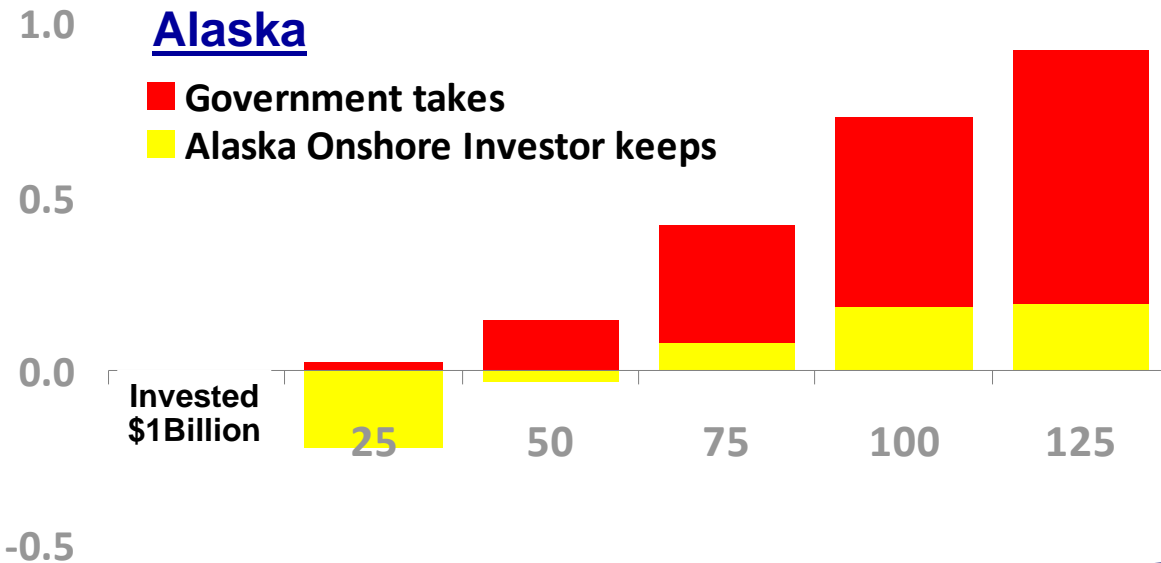


Progressivity Breaks Risk / Reward Balance

Example – \$1 Billion capital investment



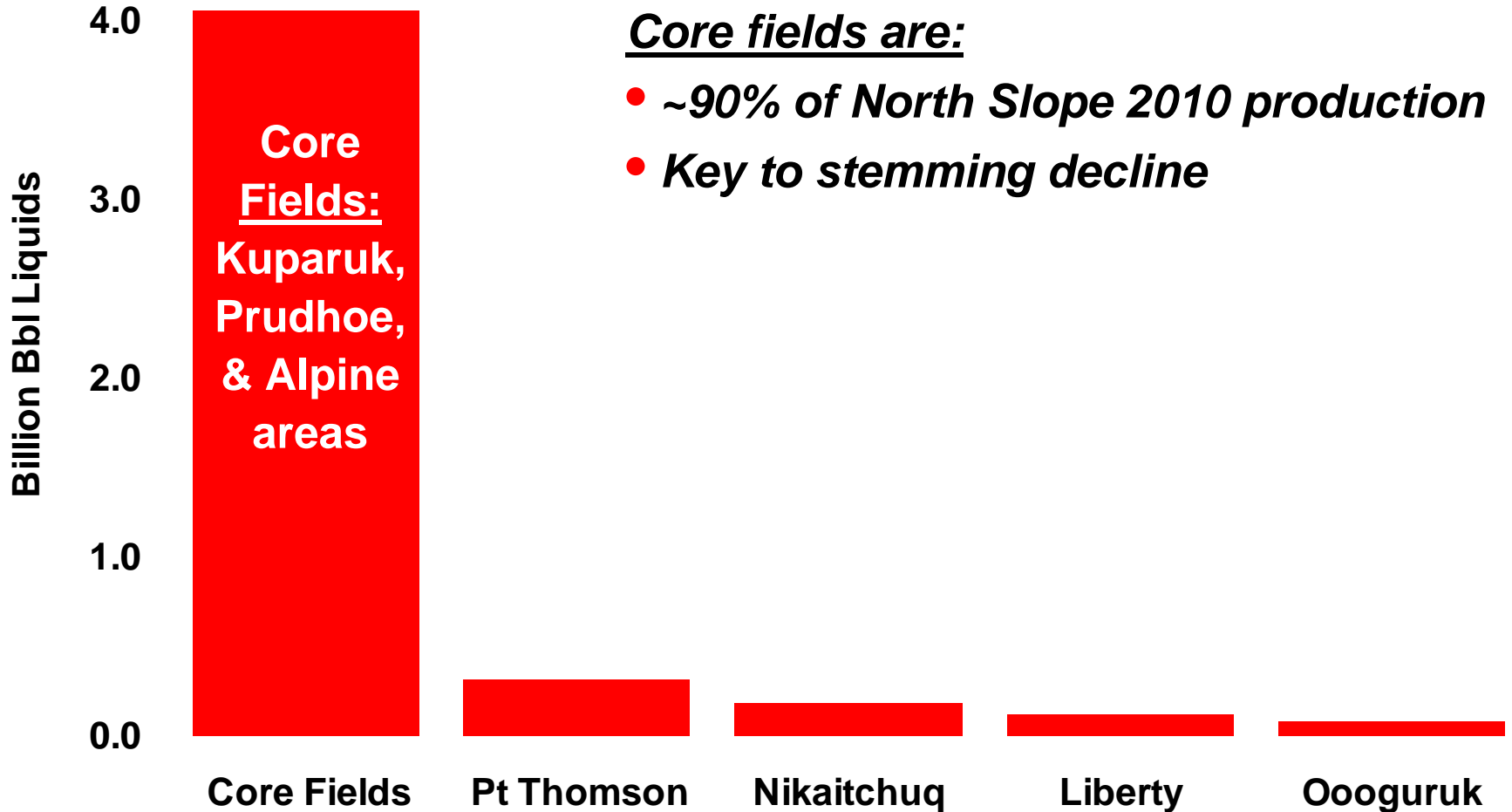
- Adequate returns in success case justify upfront investment risk



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

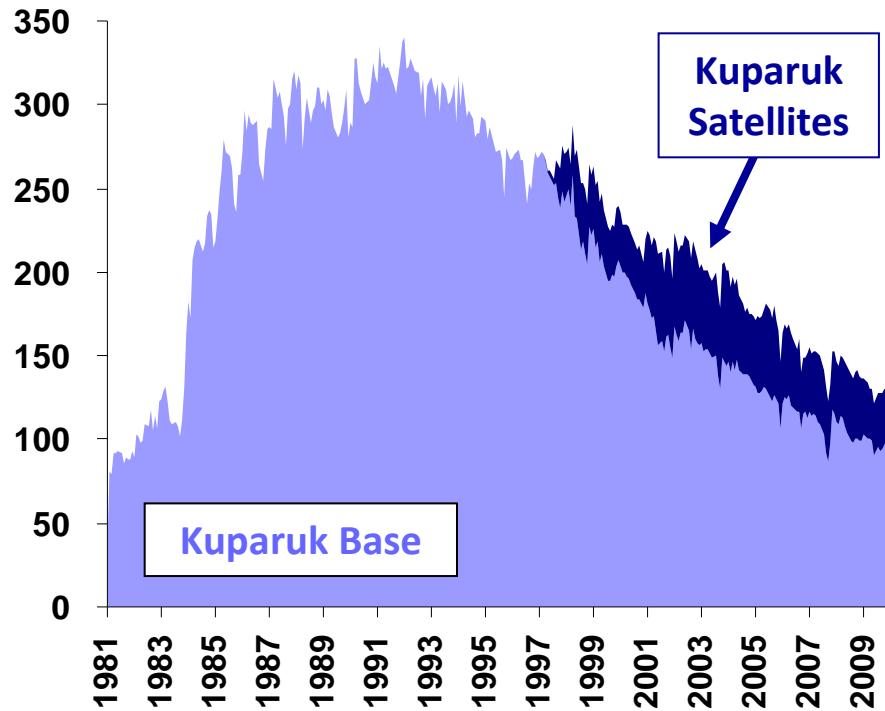
*Discounted cash flow
Government take is
after Alaska credits*

Core Fields are Key to State Production

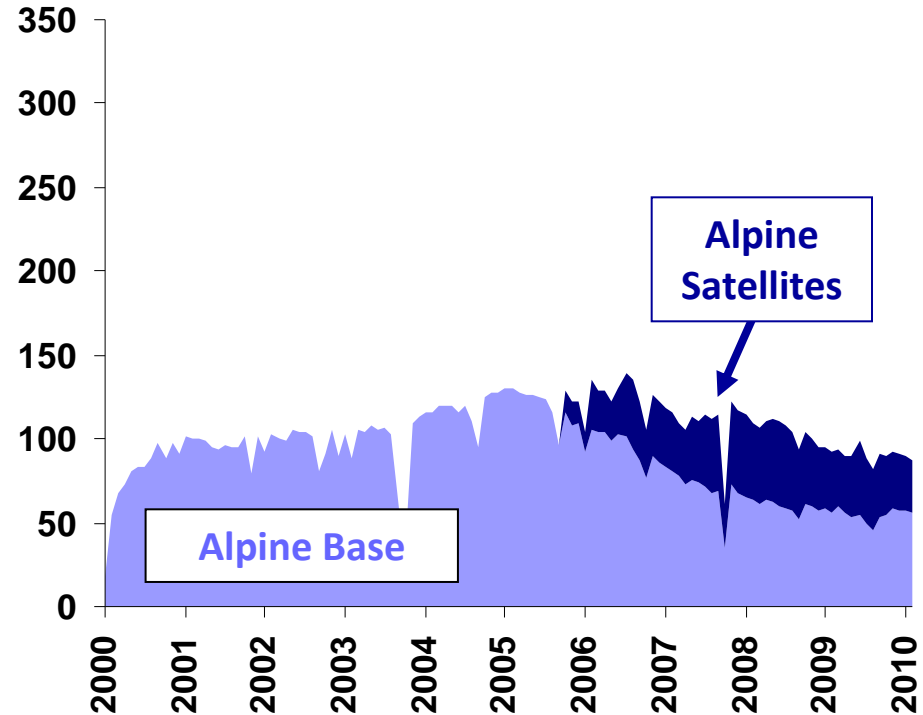


Investment Reduces Production Decline

Kuparuk Production - MBD



Alpine Production - MBD



HB 110 Improves Alaska Investment Climate

■ 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

ConocoPhillips Supports HB 110

Alaska's Oil Future is At Risk

	<u>Lower 48</u>	<u>Alaska</u>
Oil Price	Up	Up
Active Rigs	Up	Flat
Actual Production	Up	Down
Expected Future Production	Up	Down

HB 110 Important to Changing this Picture