HB 110 & ACES: Revenue Sensitivities to Production

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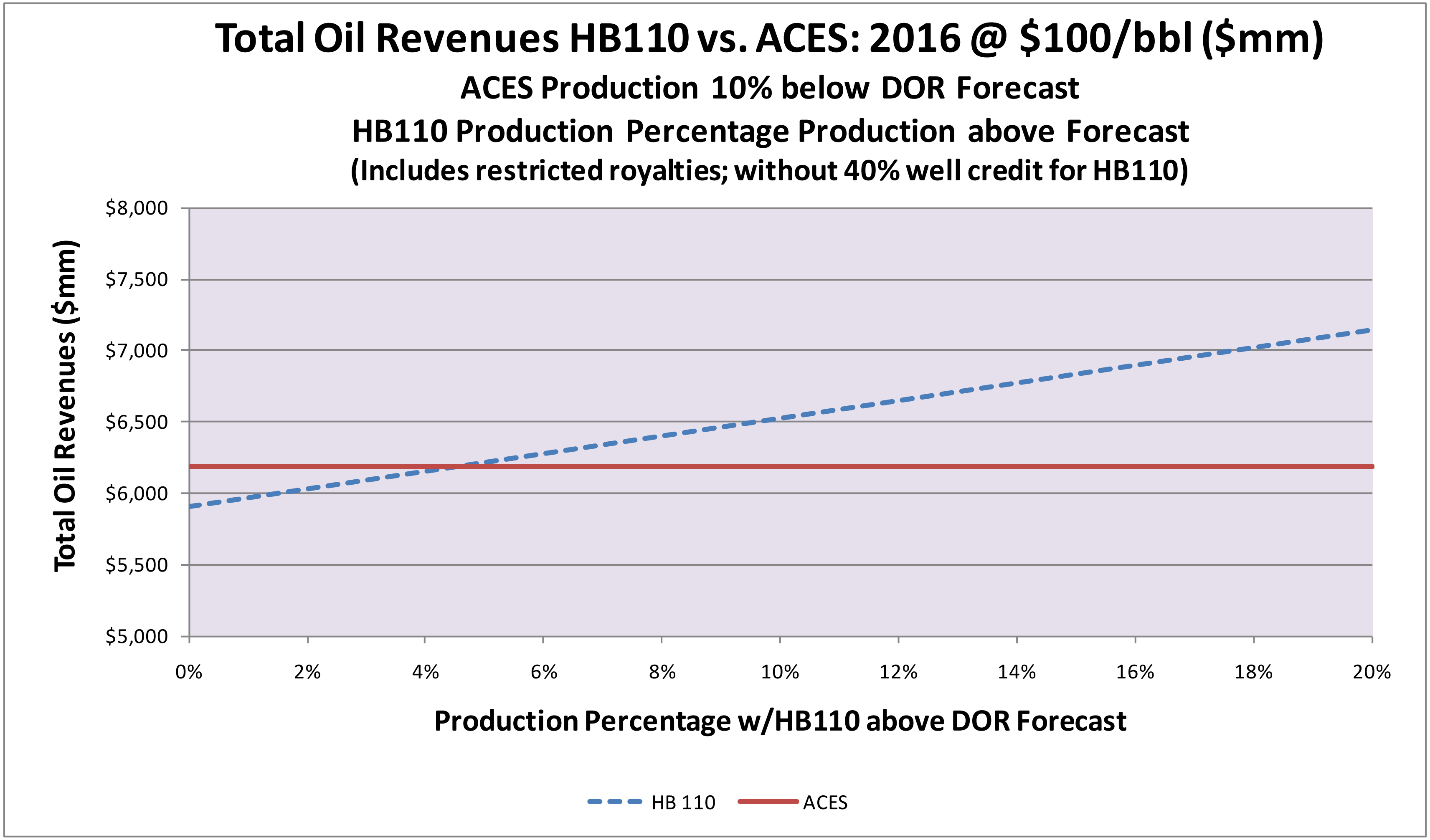
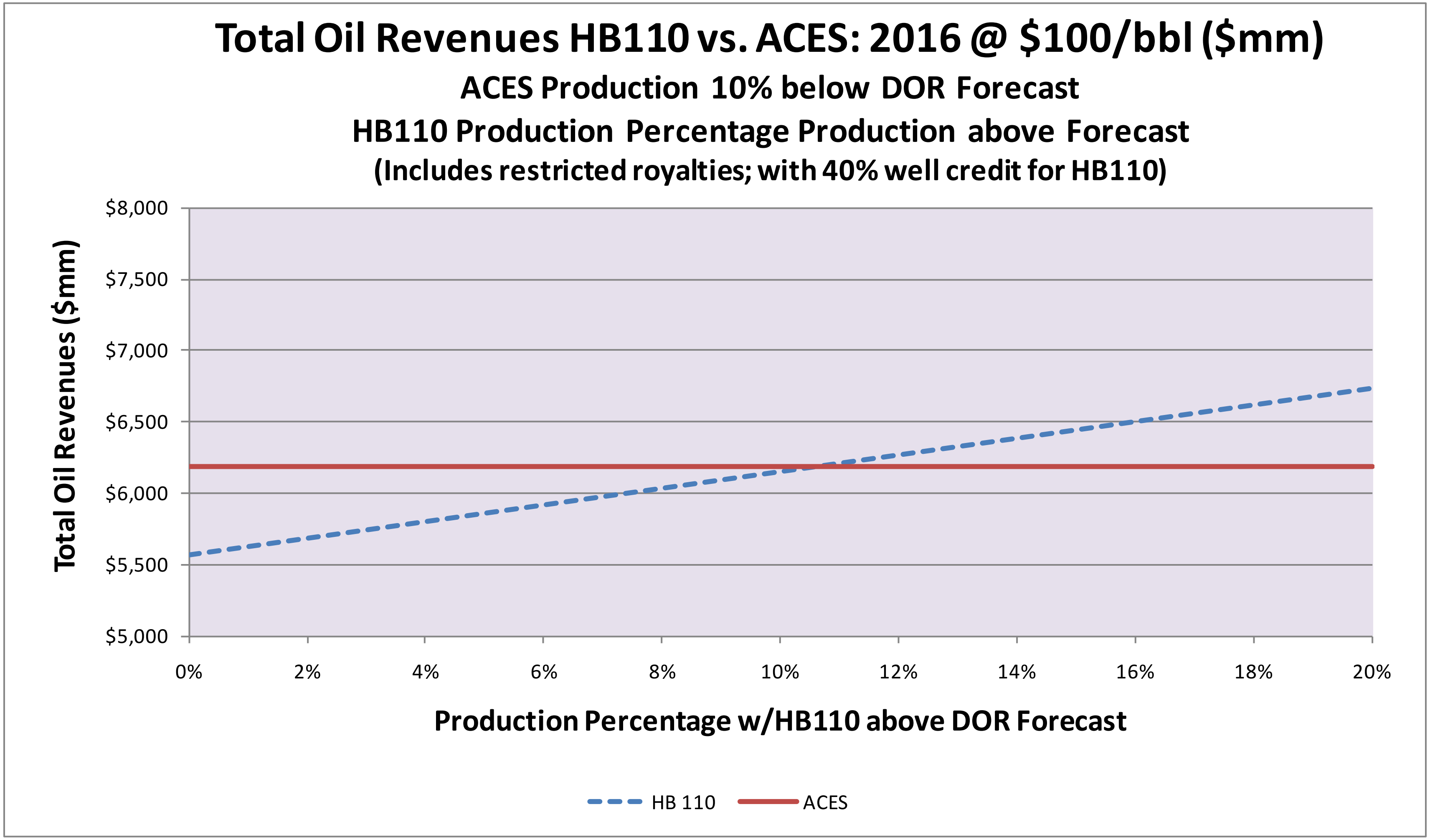
Framework

- Over the past 10 years, looking 5 years forward, the DOR production forecast has averaged about 20% too high.
- The DOR forecast does not take the availability of capital into account in the production forecast. The availability of capital is crucial for producing barrels.
- It is plausible due to the relative international un-competitiveness of ACES that capital has been diverted elsewhere and production has been suppressed.
- For this exercise we assume the Fall 2010 production forecast under ACES is 10% too high for 2016, and looked at total oil revenues under ACES.
- It is plausible that with a more competitive fiscal system Alaska would attract more capital and production would be enhanced.
- For this exercise we looked at total oil revenues under HB 110 at a spectrum of percentage production increases over the Fall 2010 forecast for 2016.
- We looked at $80, $100, and $120/bbl prices.
- We looked at HB 110 both with and without the 40% well expenditure credit.
- Total oil revenues include restricted royalties that go to the Permanent Fund.


Total Oil Revenues HB110 vs. ACES: 2016 @ $100/bbl ($mm)
ACES Production 10% below DOR Forecast
HB110 Production Percentage Production above Forecast
(Includes restricted royalties; without 40% well credit for HB110)
Total Oil Revenues ($mm)
$8,000
$7,500
$7,000
$6,500
$6,000
$5,500
$5,000
0%
2%
4%
6%
8%
10%
12%
14%
16%
18%
20%
Production Percentage w/HB110 above DOR Forecast
HB 110
ACES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$7,500
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$6,500
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$5,500
$5,000
0%
2%
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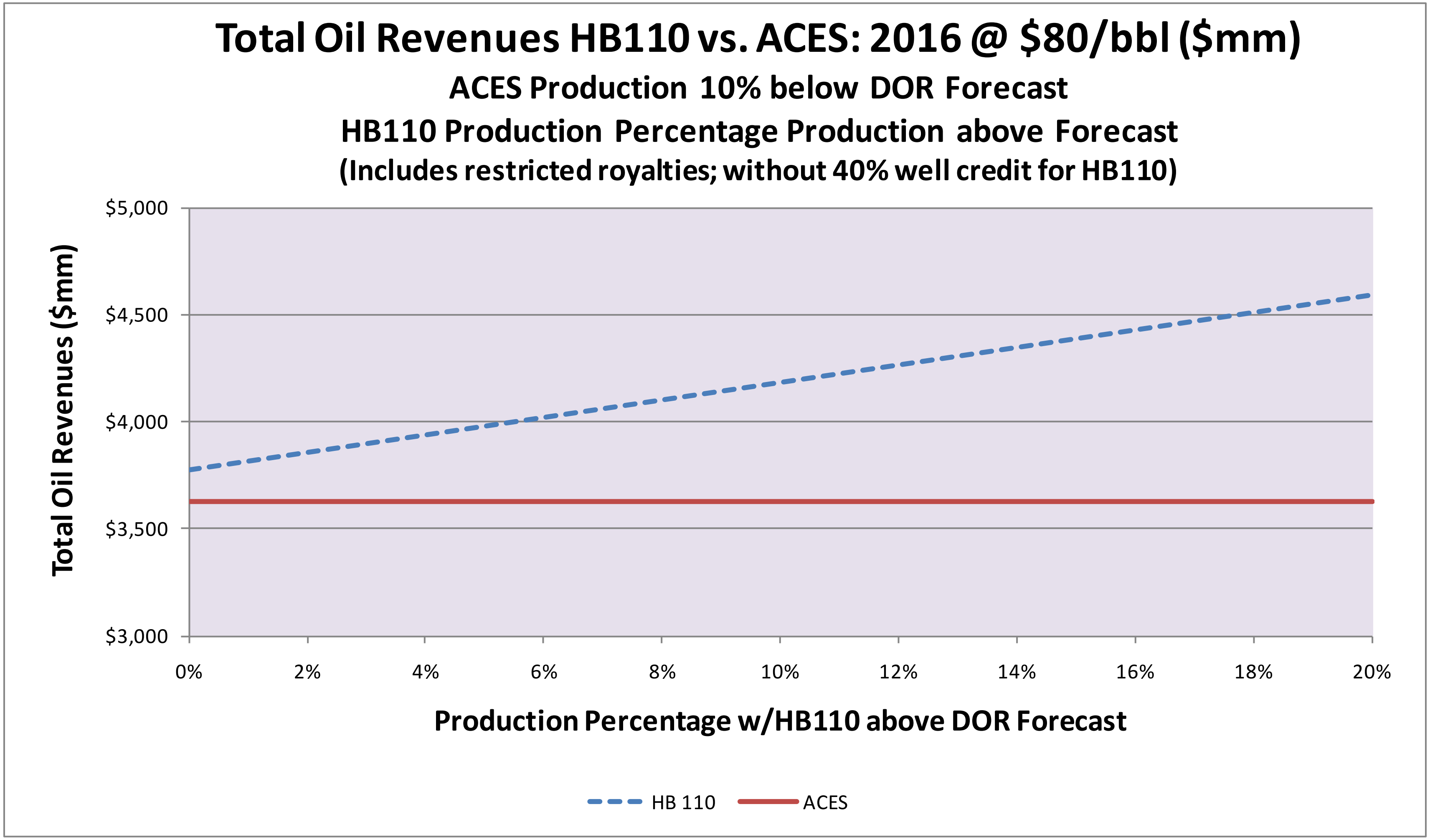
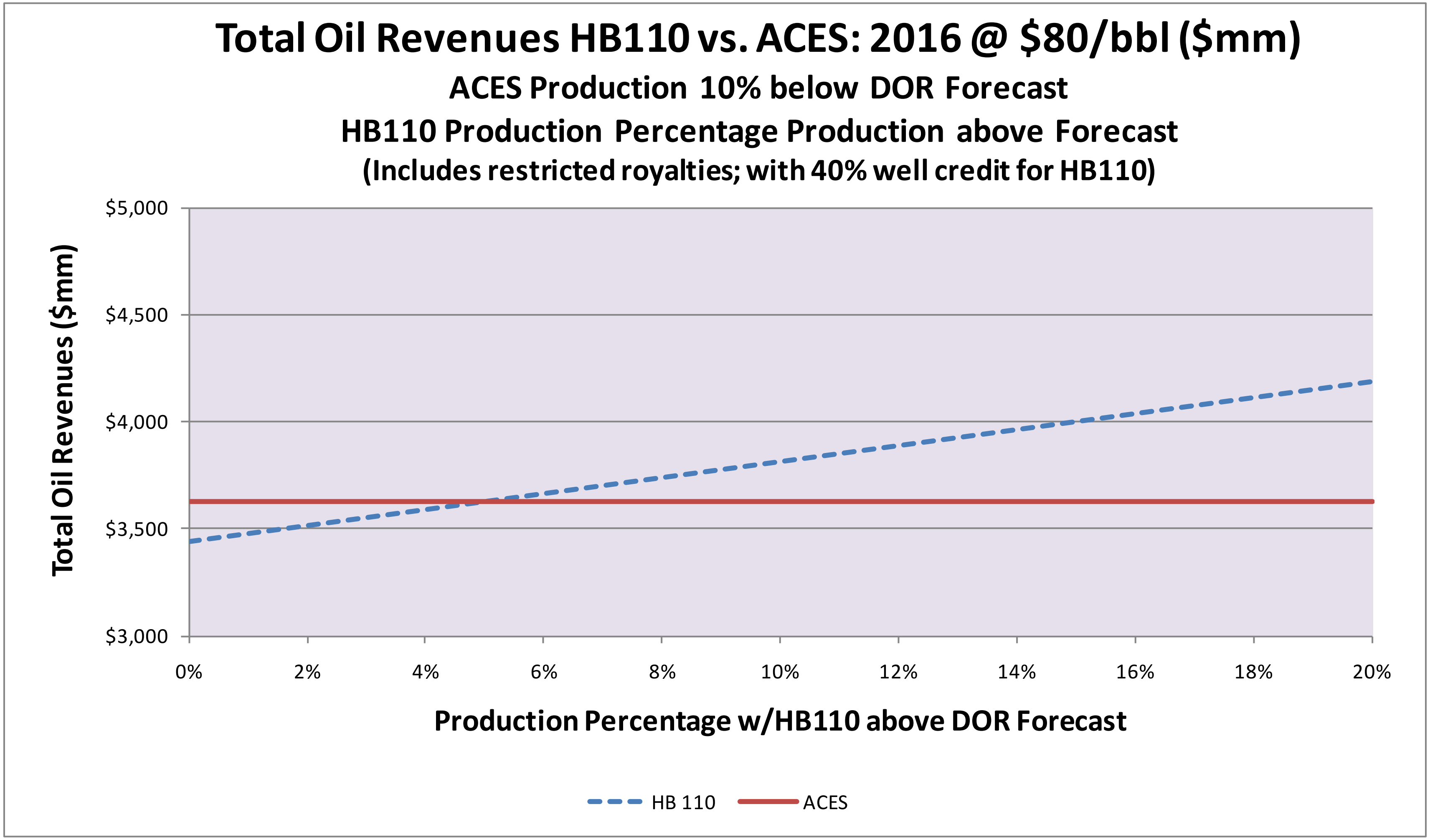
Production Percentage w/HB110 above DOR Forecast
HB 110
ACES


Total Oil Revenues HB110 vs. ACES: 2016 @ $80/bbl ($mm)
ACES Production 10% below DOR Forecast
HB110 Production Percentage Production above Forecast
(Includes restricted royalties; without 40% well credit for HB110)
Total Oil Revenues ($mm)
$5,000
$4,500
$4,000
$3,500
$3,000
0%
2%
4%
6%
8%
10%
12%
14%
16%
18%
20%
Production Percentage w/HB110 above DOR Forecast
HB 110
ACES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$5,000
$4,500
$4,000
$3,500
$3,000
0%
2%
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6%
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HB 110
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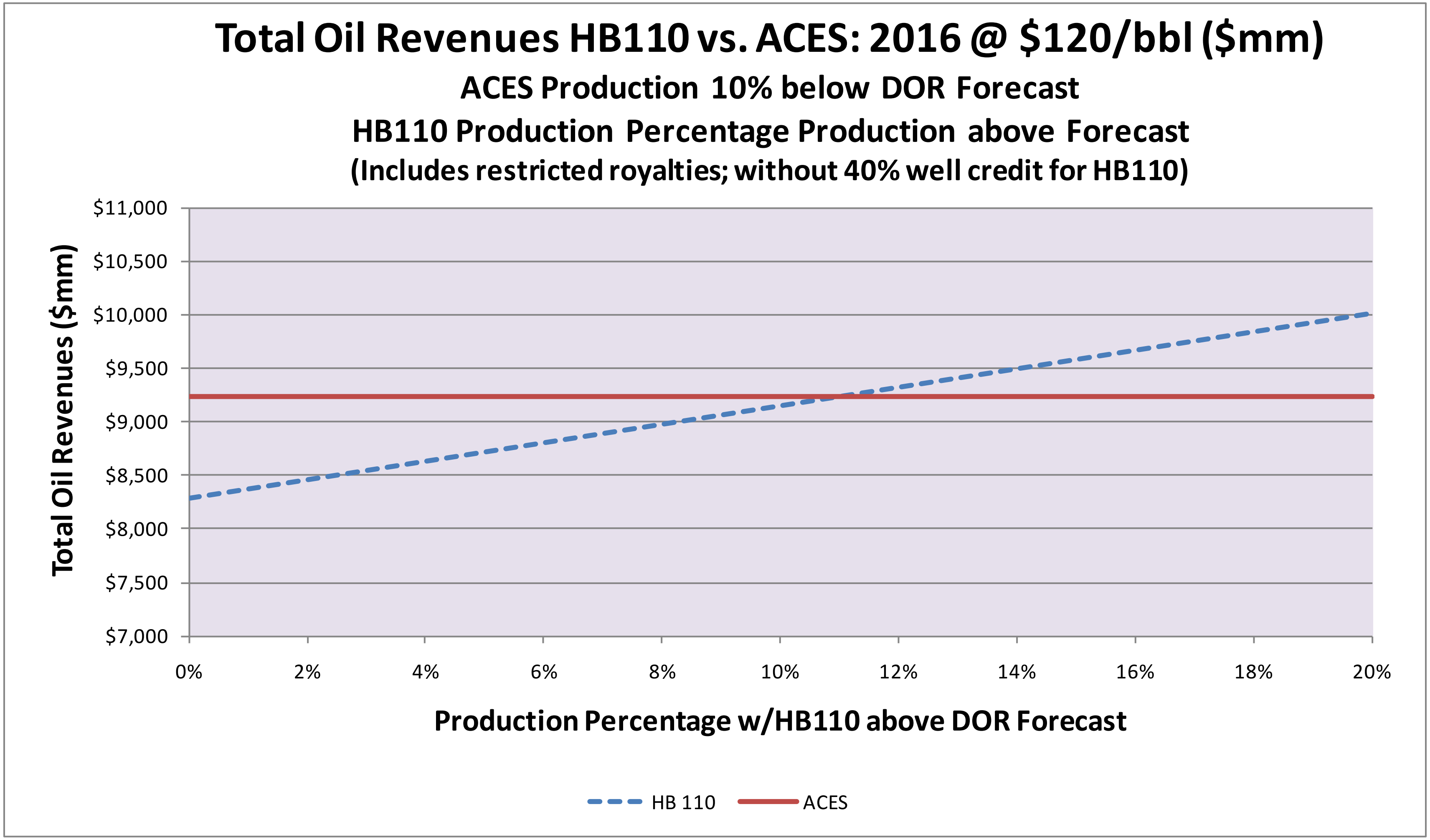
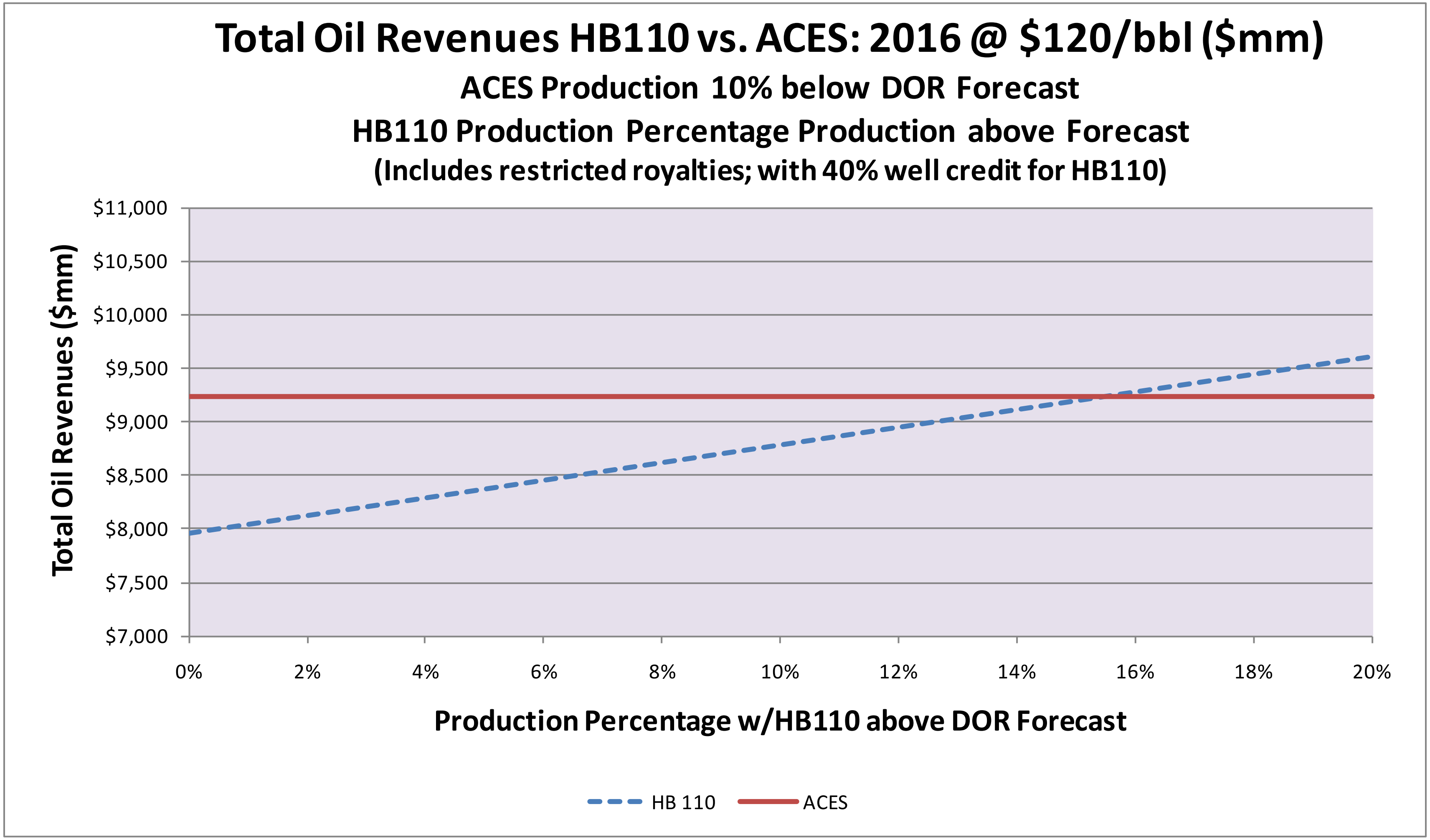


Total Oil Revenues HB110 vs. ACES: 2016 @ $120/bbl ($mm)
ACES Production 10% below DOR Forecast
HB110 Production Percentage Production above Forecast
(Includes restricted royalties; without 40% well credit for HB110)
Total Oil Revenues ($mm)
$11,000
$10,500
$10,000
$9,500
$9,000
$8,500
$8,000
$7,500
$7,000
0%
2%
4%
6%
8%
10%
12%
14%
16%
18%
20%
Production Percentage w/HB110 above DOR Forecast
HB 110
ACES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(Includes restricted royalties; with 40% well credit for HB110)
Total Oil Revenues ($mm)
$11,000
$10,500
$10,000
$9,500
$9,000
$8,500
$8,000
$7,500
$7,000
0%
2%
4%
6%
8%
10%
12%
14%
16%
18%
20%
Production Percentage w/HB110 above DOR Forecast
HB 110
ACES

Crossover Points:

Increased Percentage Production where HB 110 Revenues Exceed ACES Revenues

- Without 40% well expenditure credit
  - $80/bbl 0%
  - $100/bbl 4%
  - $120/bbl 11%
- With 40% well expenditure credit
  - $80/bbl 5%
  - $100/bbl 10%
  - $120/bbl 15%