
House Resources Committee

CSSB21

Bob Heinrich, VP Finance

Scott Jepsen, VP External Affairs

ConocoPhillips Alaska

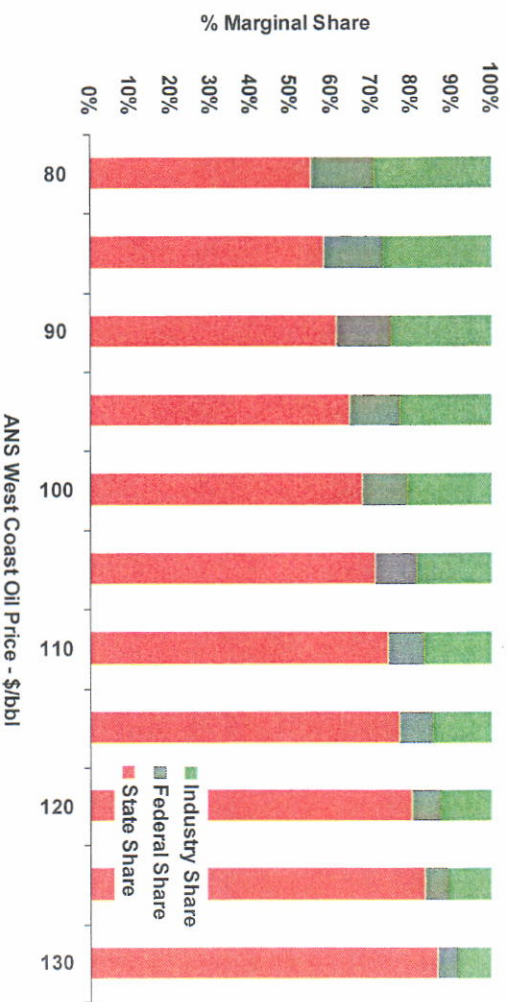
March 26, 2013

North Slope Investment Challenges

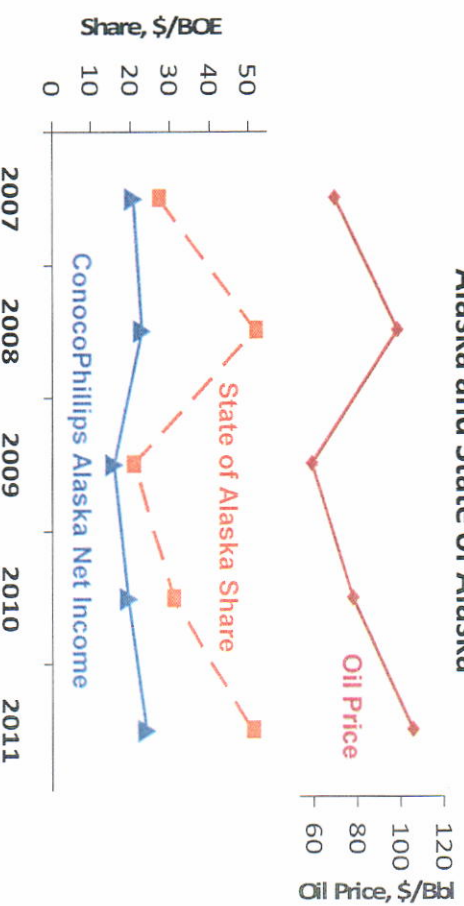
- Challenged oil remains
 - Complex, high cost wells
 - Smaller reserve targets
 - Fault blocks, flank oil
 - Satellites, viscous oil
 - Facilities handling ~ three times as much water as oil
 - Significant resource

- ACES tax structure
 - High average & marginal tax rates
 - Progressivity eliminates upside
 - Tax credits attempt to offset high tax rates and high costs. Apply to both new and legacy fields

Government and Industry Marginal Share in Alaska



Earnings Per Barrel – ConocoPhillips Alaska and State of Alaska



Upper right plot based on Fall 2012 Revenue Sources Book data for FY2014
 Lower right plot based on ConocoPhillips 2007 – 2011 10-K reports; State share is royalties (estimated), production tax, ad valorem tax and state income tax; oil prices are ConocoPhillips average realized prices on the West Coast

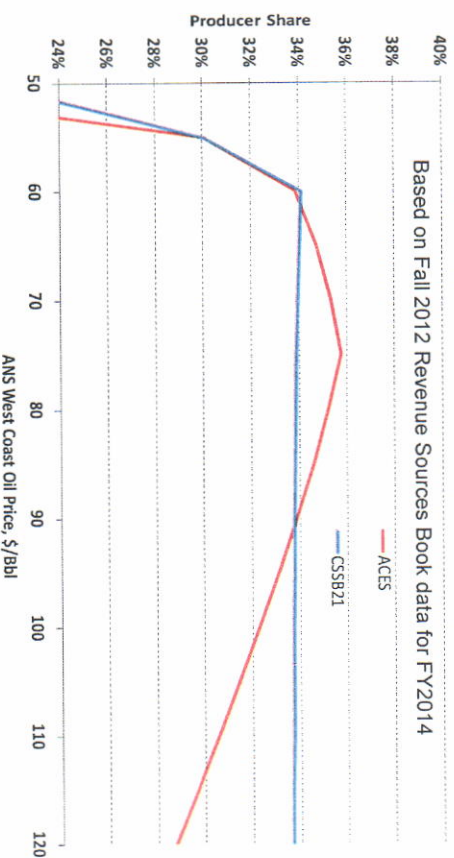
Changes to ACES to Improve Alaska's Investment Climate

Change

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- Eliminate progressivity
- Create a flatter tax rate over a broad range of prices
 - Producer and State share proportionately as prices fluctuate and margins change
- Establish a tax structure creating an attractive investment climate
 - Competitive tax rate
 - Provide the incentives to balance Alaska's high cost environment
 - Incentives for both legacy and new field investments



- Base rate too high
 - Tax increase at lower prices
 - Overall tax rate high
- GRE appears to have minimal applicability to legacy fields