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# House Finance Committee

**HCS SB21**

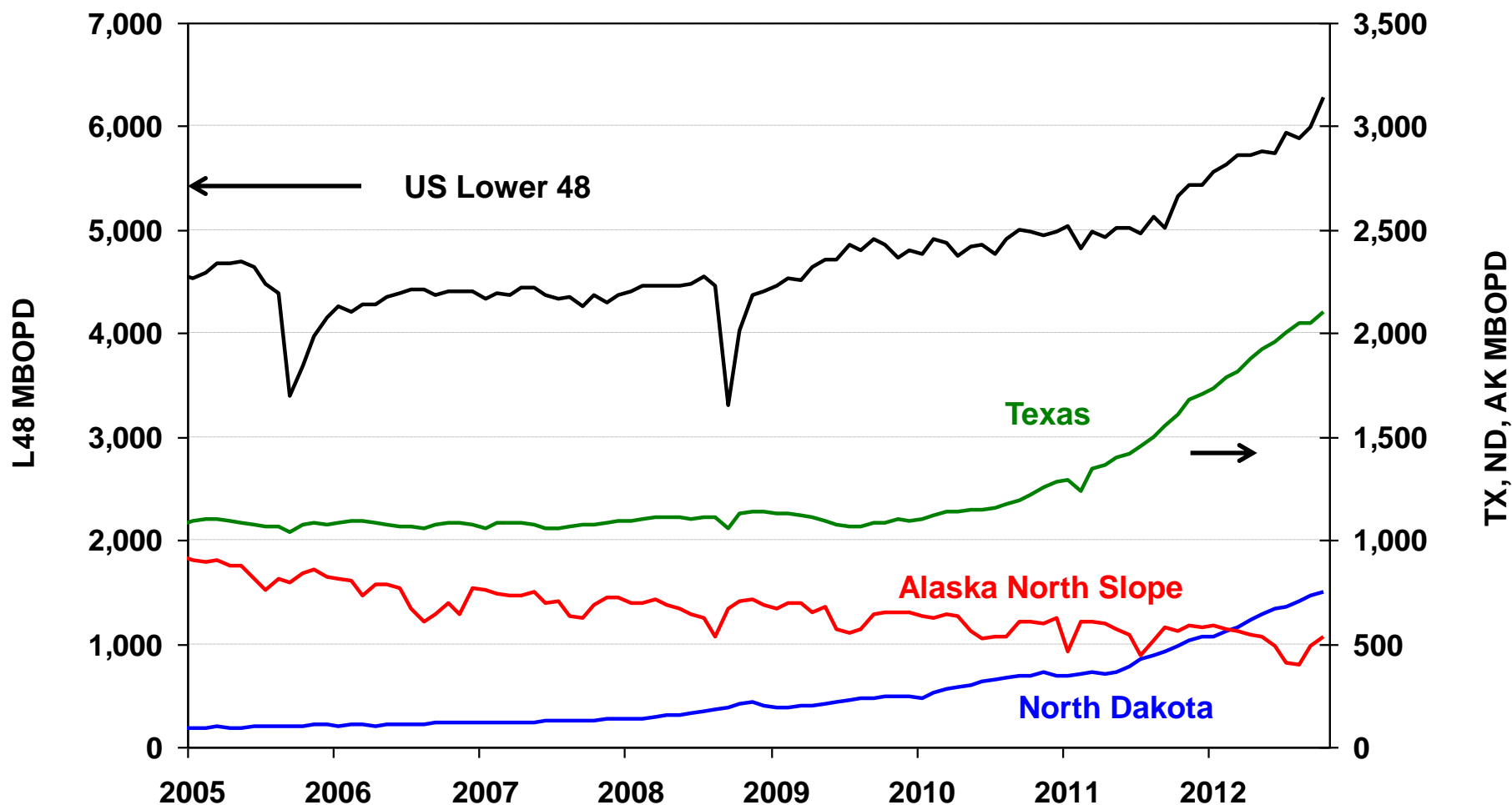
Bob Heinrich, VP Finance

Scott Jepsen, VP External Affairs

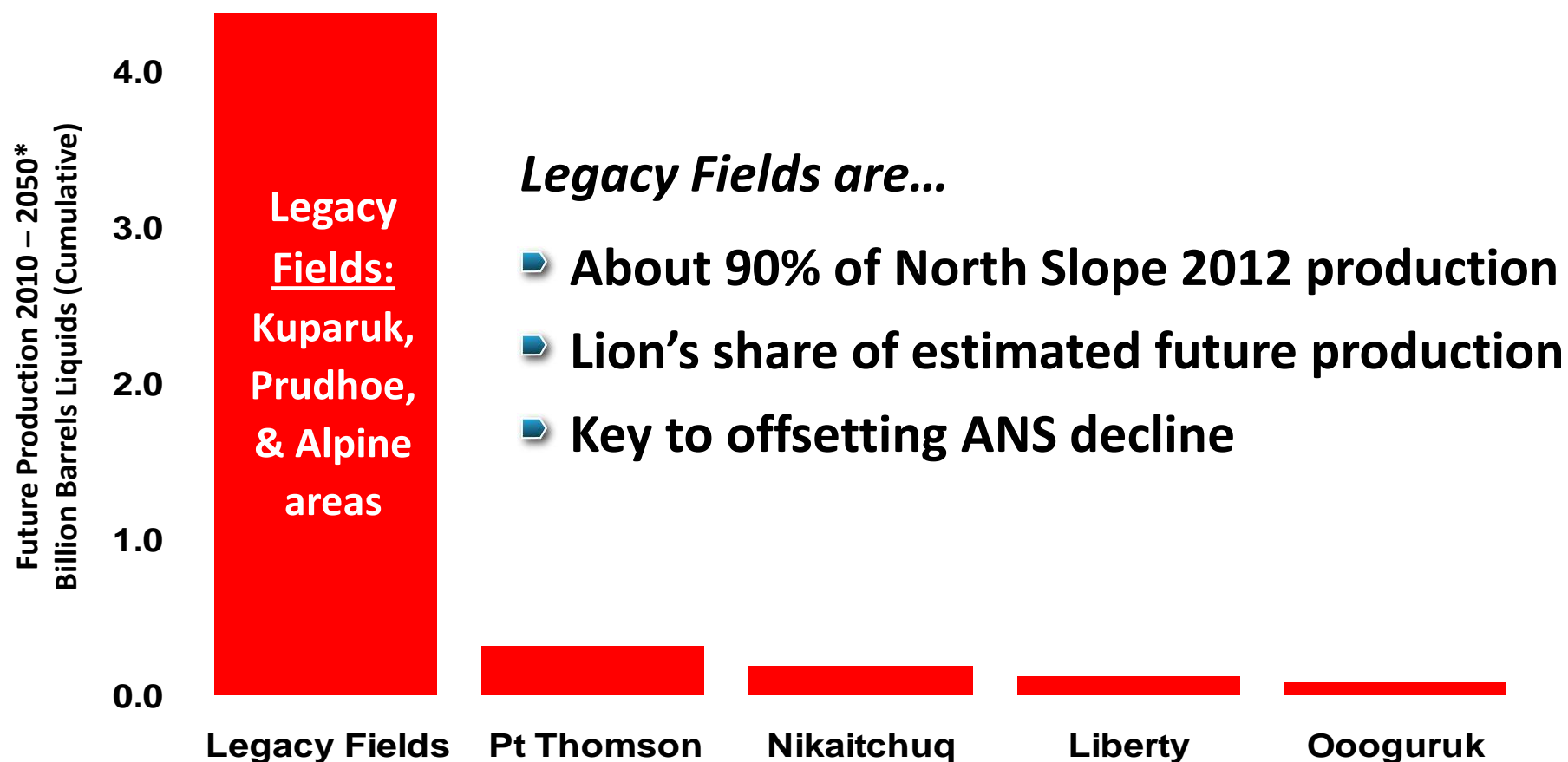
**ConocoPhillips Alaska**

April 8, 2013

# Alaska Decline Continues While Lower 48 Continues to Increase



# Alaska Legacy Fields Still Provide Significant Opportunity



**Greatest investment opportunity resides in existing legacy fields**

# **“Easy Oil” In the Legacy Fields Is Gone**

- Challenged oil remains
  - Complex, high cost wells
  - Smaller reserve targets
  - Isolated fault blocks, flank oil
  - Satellites and viscous oil
  - Most new wells produce oil AND water
  - Facilities handling ~ three times as much water as oil
  
- **A billion dollars does not go as far as it used to...**
  - 2000 Alpine development:  
~80,000 BOPD
  - 2012 CD-5 Drillsite:  
~18,000 BOPD



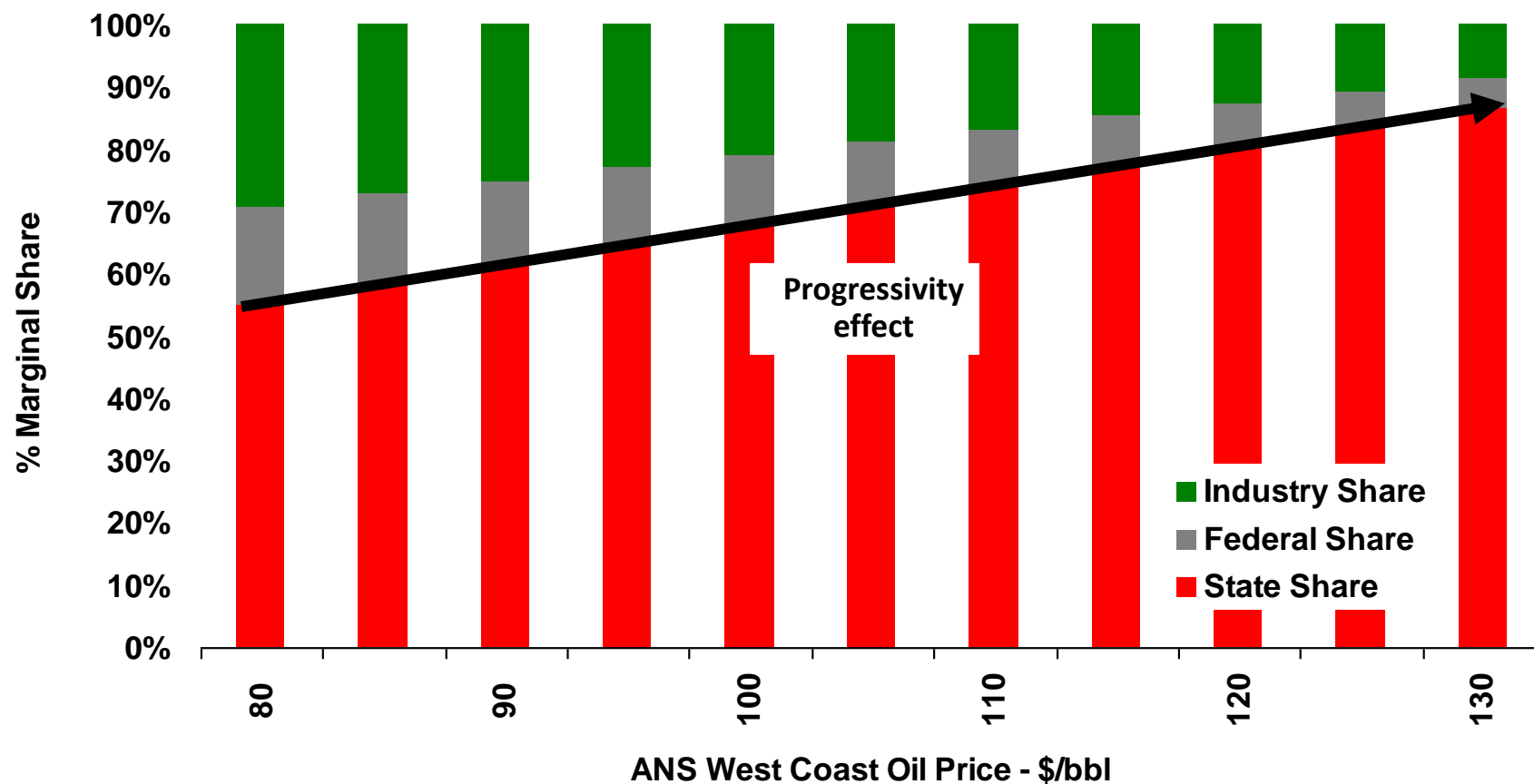
Initial Alpine Development



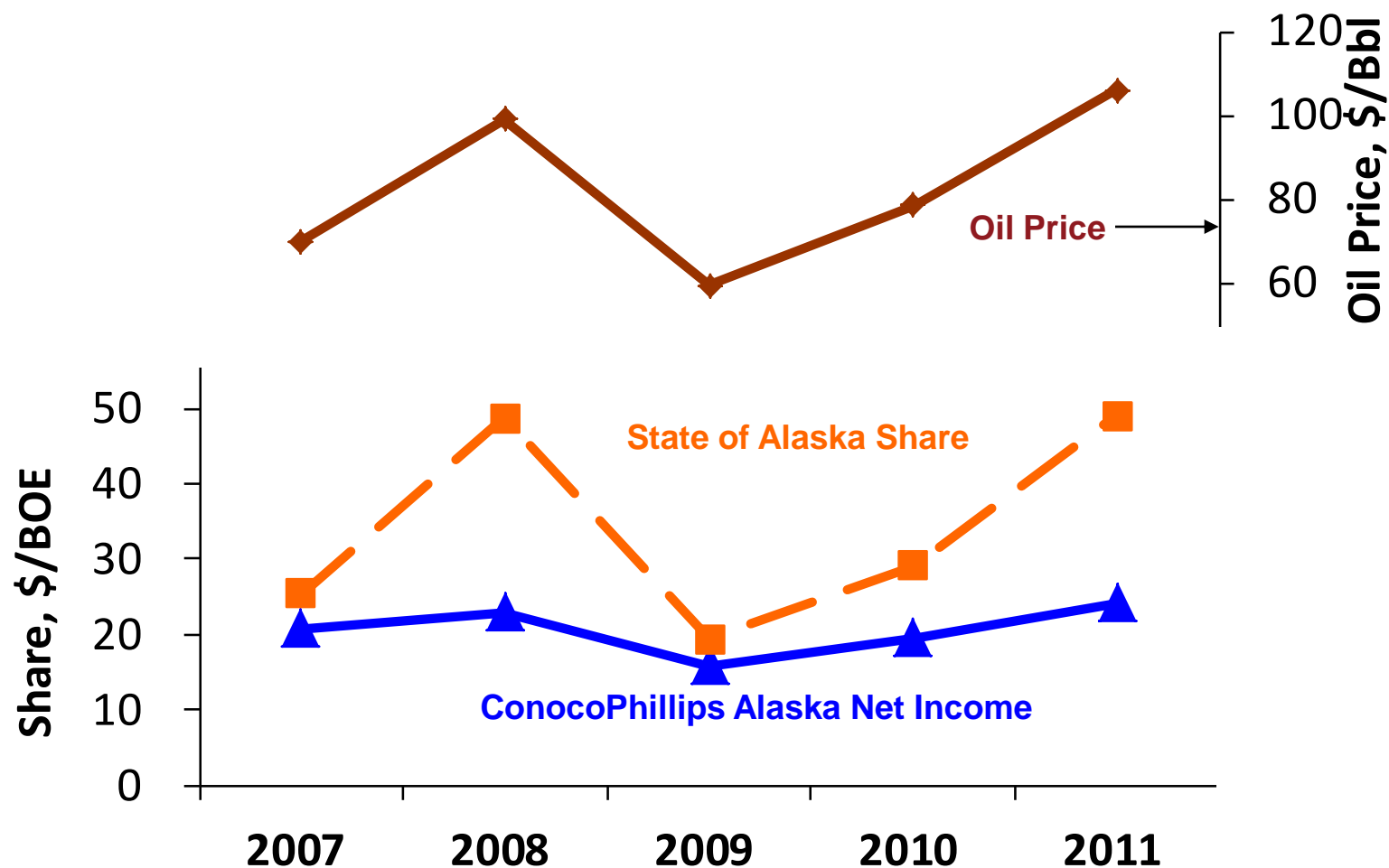
CD-5 Type Development

# ACES Marginal Industry Share

## Government and Industry Marginal Share in Alaska

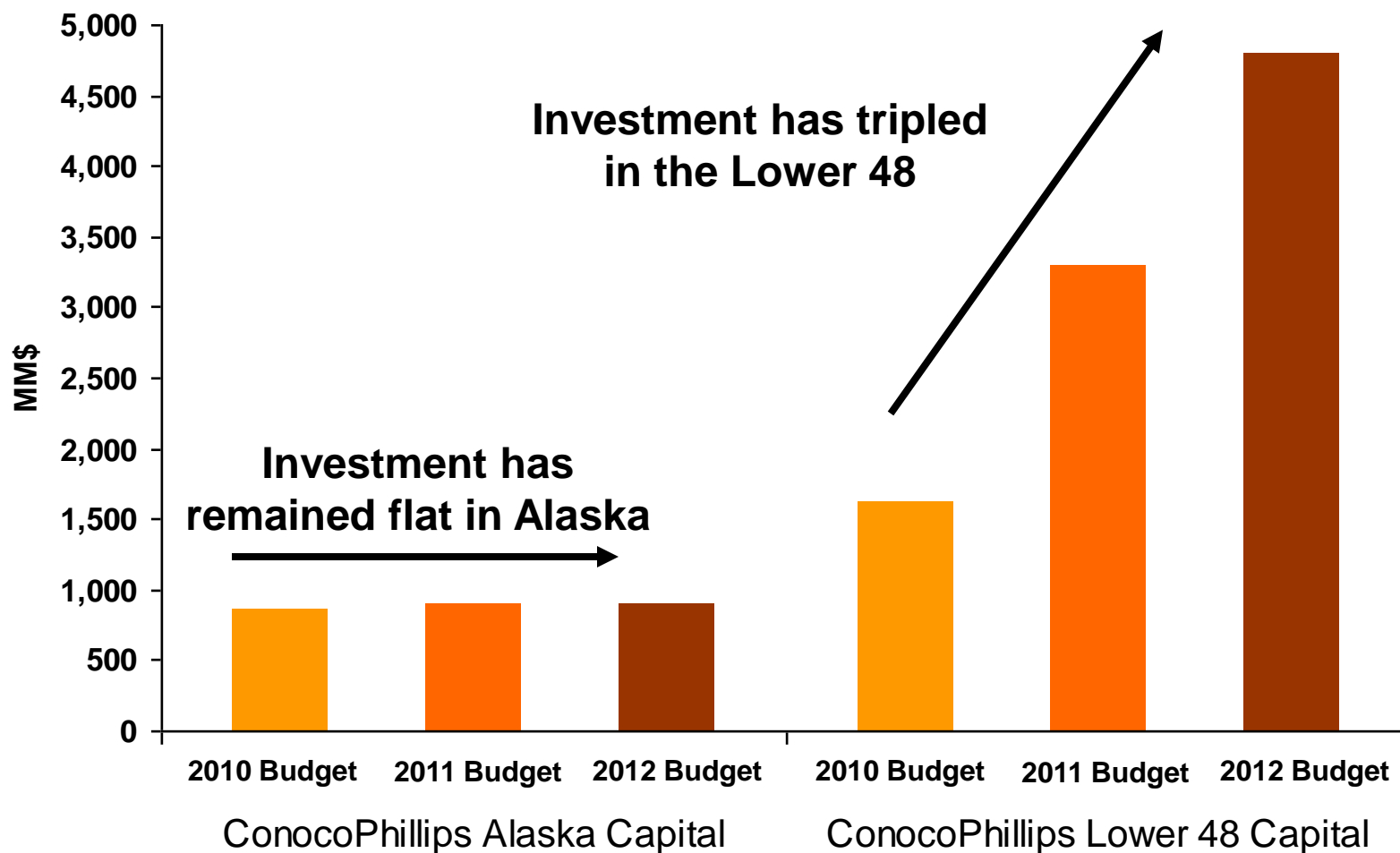


## Earnings Per Barrel – ConocoPhillips Alaska and State of Alaska



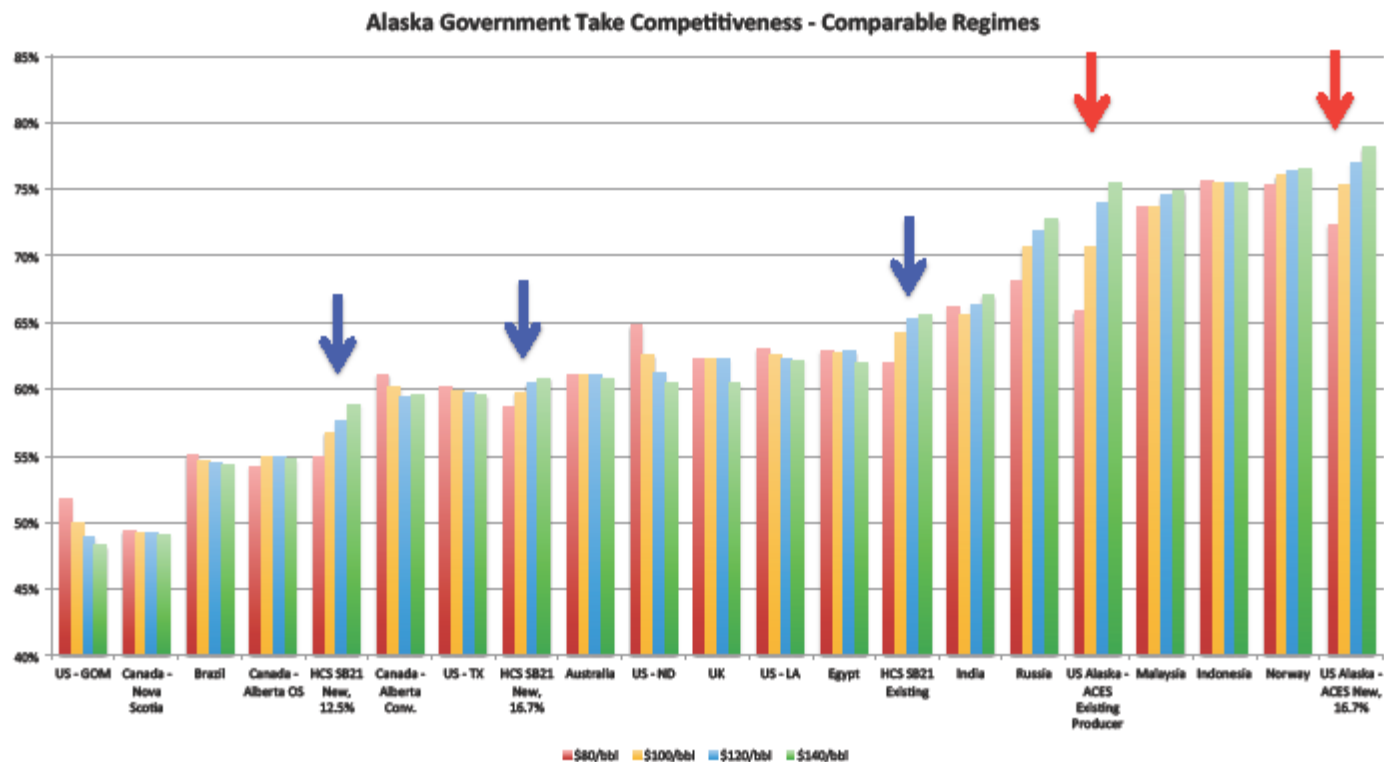
**ACES progressivity takes the upside**

# ConocoPhillips Capital Allocation



**Investment flows where investor has upside**

# Government Take Competitiveness





# Changes to ACES to Improve Alaska's Investment Climate

Objectives	HCS SB21
<ul style="list-style-type: none"> <li>Eliminate progressivity</li> </ul>	<ul style="list-style-type: none"> <li>Slightly progressive tax structure, but significant improvement over ACES</li> </ul>
<ul style="list-style-type: none"> <li>Create a flatter tax rate over a broad range of prices                             <ul style="list-style-type: none"> <li>➤ Producer and State share proportionately as prices fluctuate and margins change</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Addresses tax increase at lower prices relative to ACES (previous CS)</li> <li>Hard minimum tax provides more revenue to Alaska at low prices</li> </ul>
<ul style="list-style-type: none"> <li>Establish a tax structure creating an attractive investment climate                             <ul style="list-style-type: none"> <li>➤ Competitive tax rate</li> <li>➤ Provide the incentives to balance Alaska's high cost environment</li> <li>➤ Incentives for both legacy and new field investments</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>33% base rate is improvement</li> <li>Has increased likelihood that PA expansions will receive the GVR</li> </ul>
Question – Will proposed changes in ACES lead to increased investment?	New CS creates an environment that we believe will lead to increased investment and additional production.