
House Finance Committee

HCS SB21

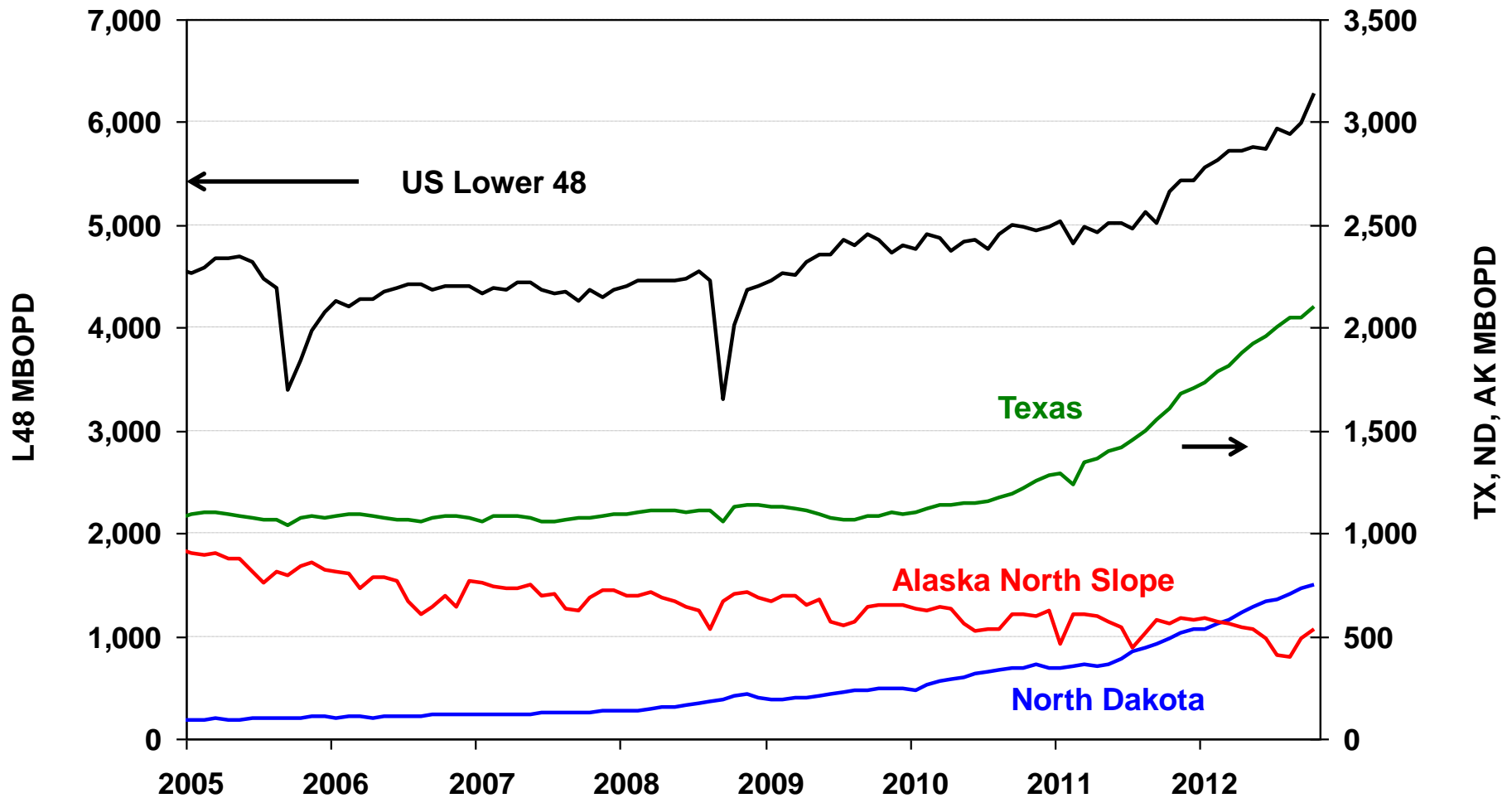
Bob Heinrich, VP Finance

Scott Jepsen, VP External Affairs

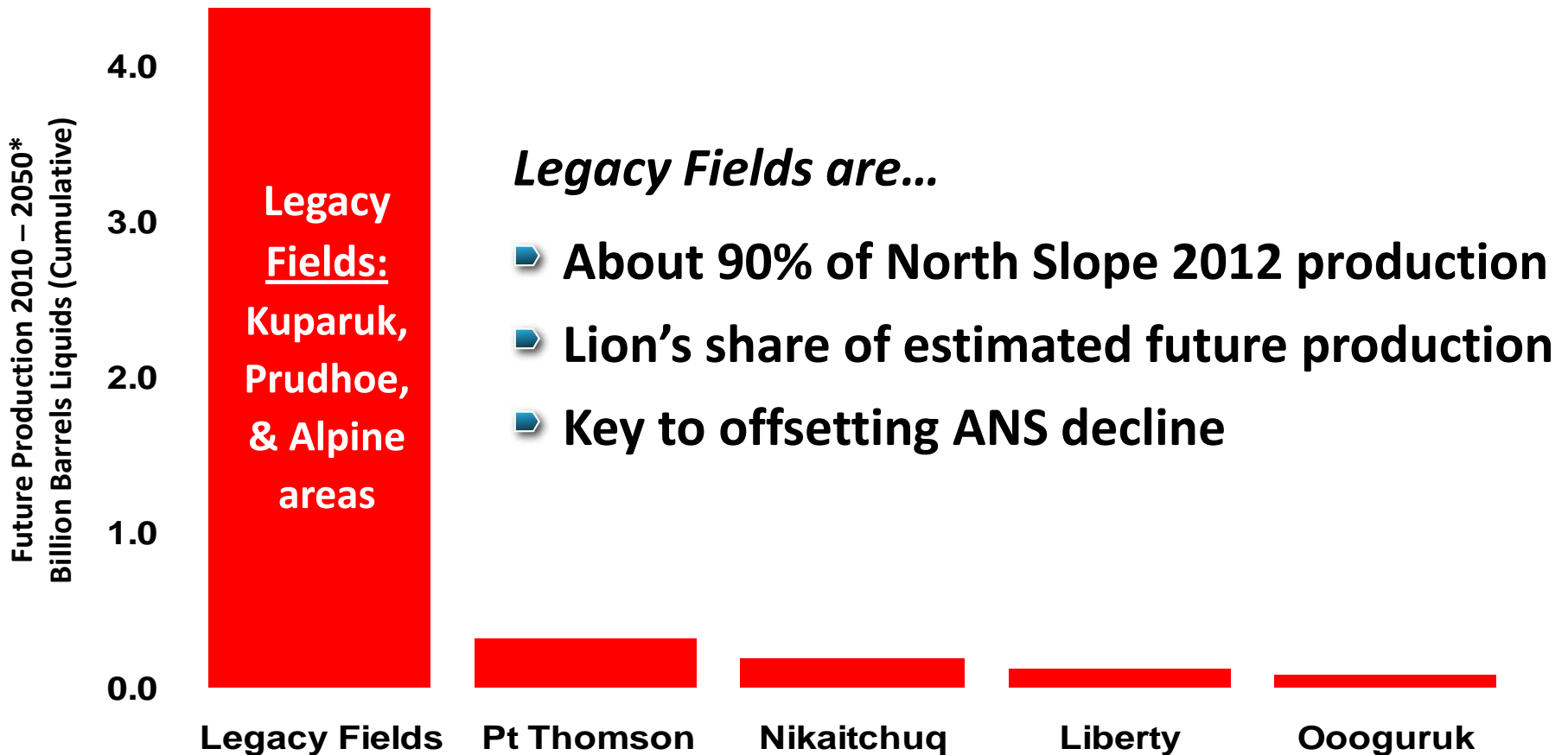
ConocoPhillips Alaska

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



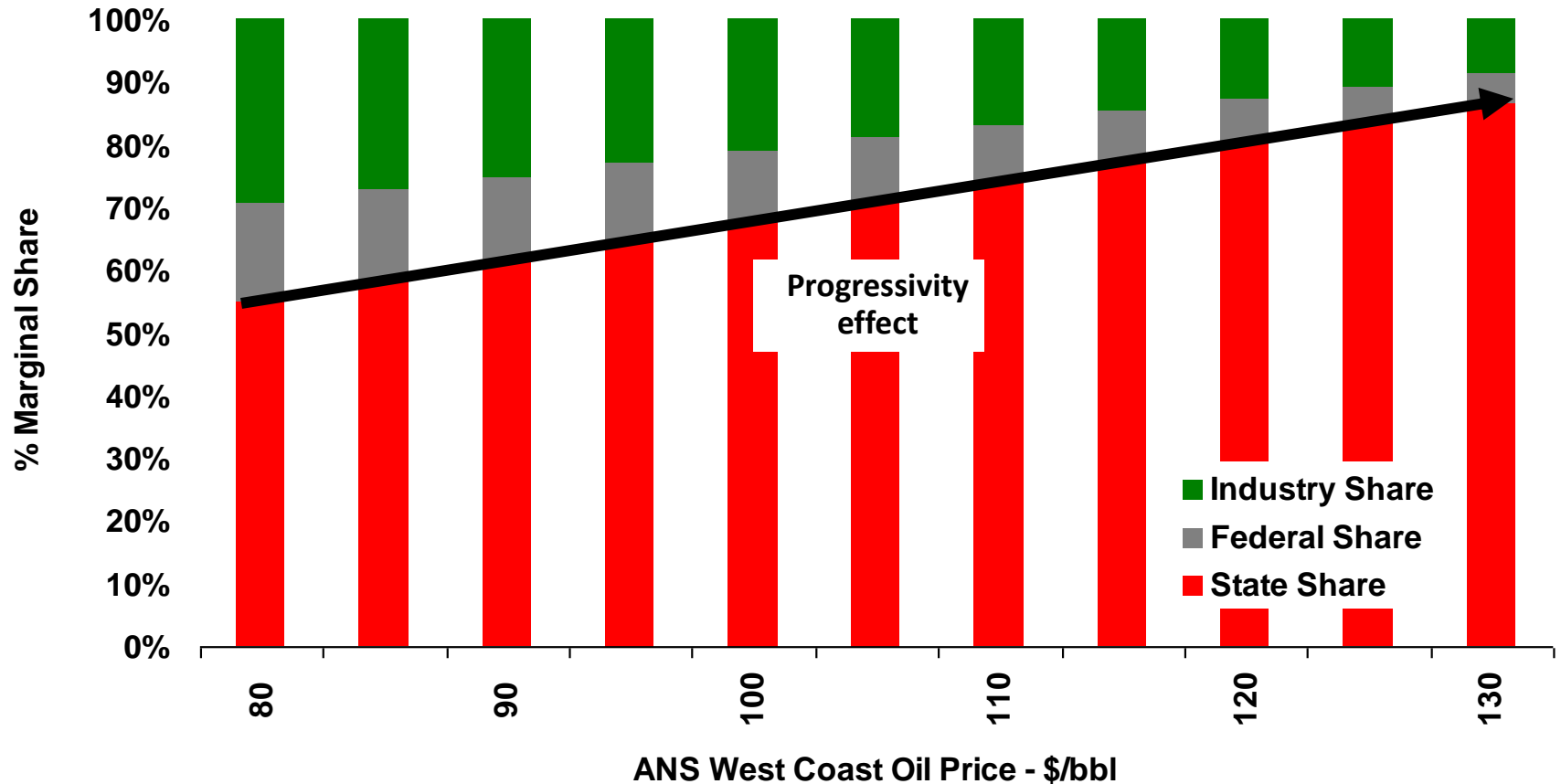
Initial Alpine Development



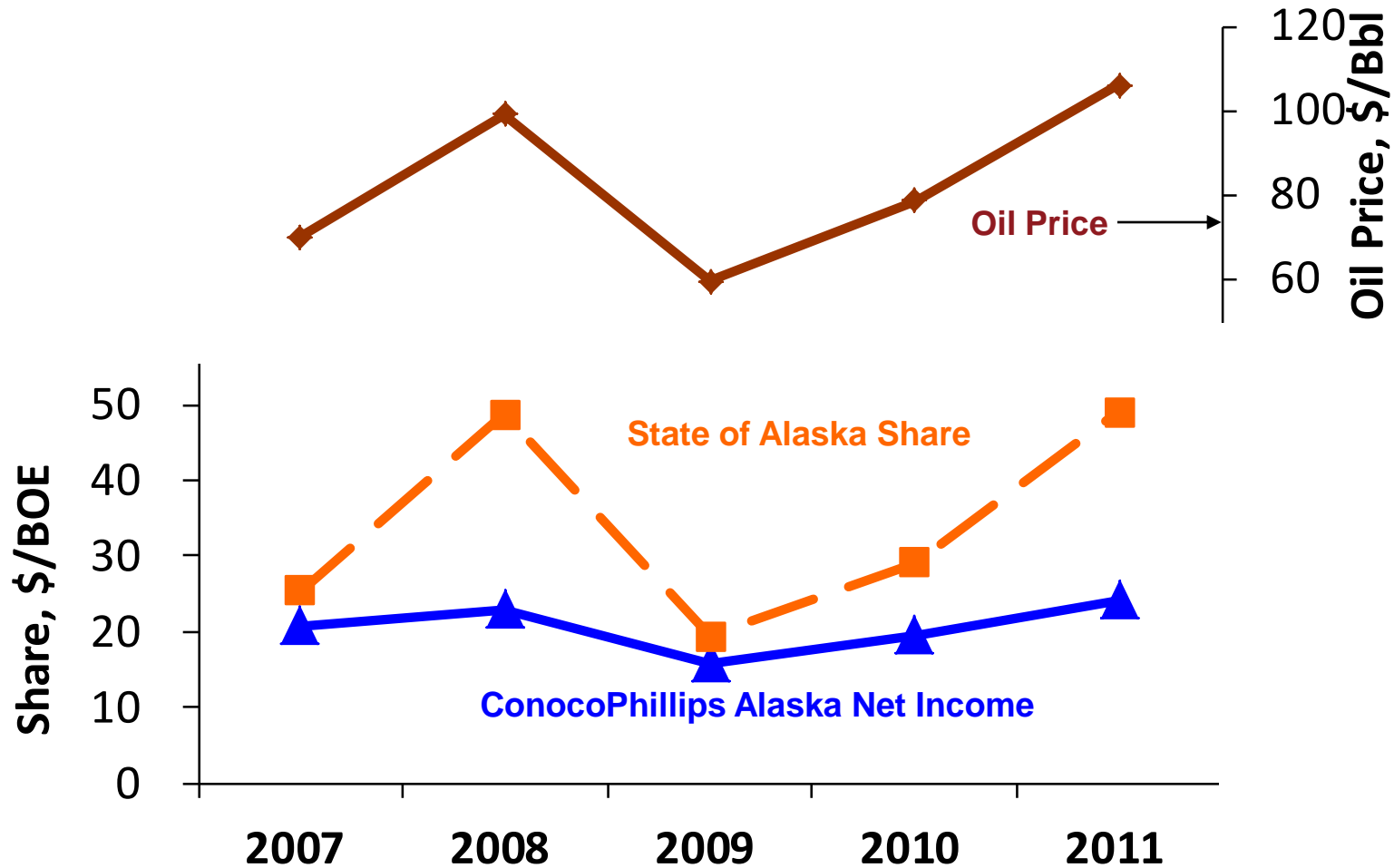
CD-5 Type Development

ACES Marginal Industry Share

Government and Industry Marginal Share in Alaska



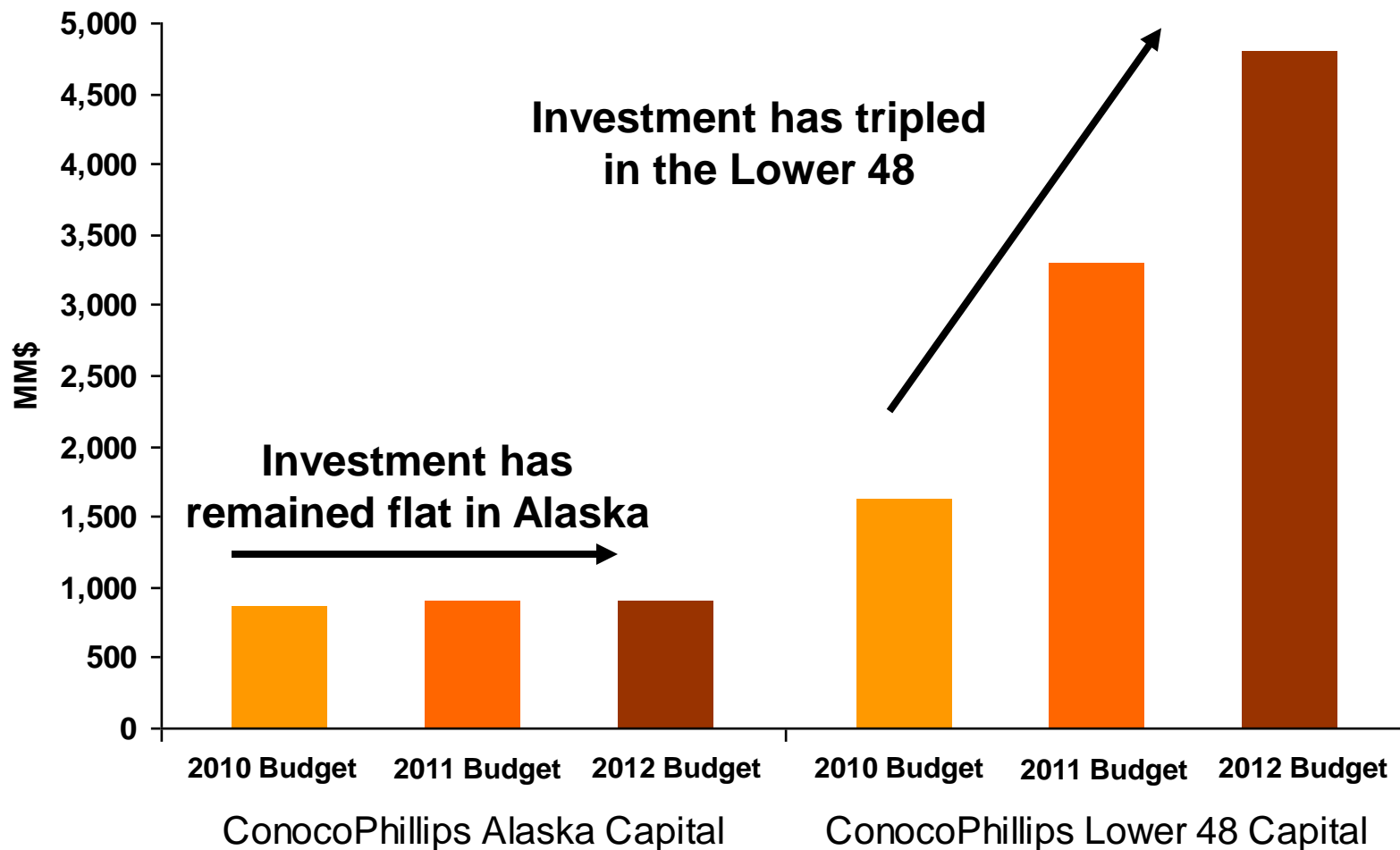
Earnings Per Barrel – ConocoPhillips Alaska and State of Alaska



ACES progressivity takes the upside

Source: ConocoPhillips 10-K, 2007-2011; State share is royalties (estimated), production tax, ad valorem tax and state income tax, oil prices are average realized prices by ConocoPhillips on the West Coast

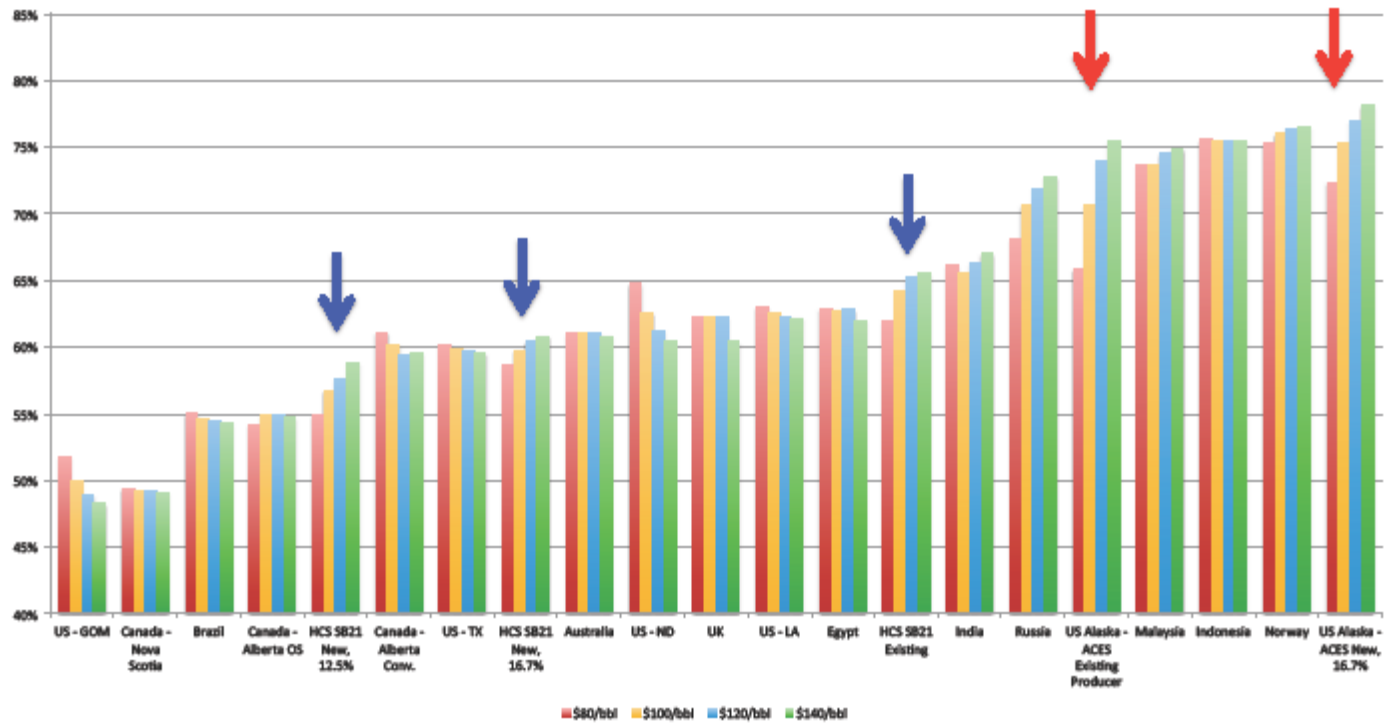
ConocoPhillips Capital Allocation



Investment flows where investor has upside

Government Take Competitiveness

Alaska Government Take Competitiveness - Comparable Regimes



Changes to ACES to Improve Alaska's Investment Climate

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