



BP Testimony to House Finance on HCS CSSB21 (RES)

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Overview



- BP in Alaska – working with the State over 50 years
- Alaska has great resource potential and people
- Under ACES, Alaska is at the back of the line in competition for investment
- HCS CSSB 21(RES) meets the Governor's four principles and will put Alaska back in the game of oil investments

BP in Alaska – 54 years, and counting...

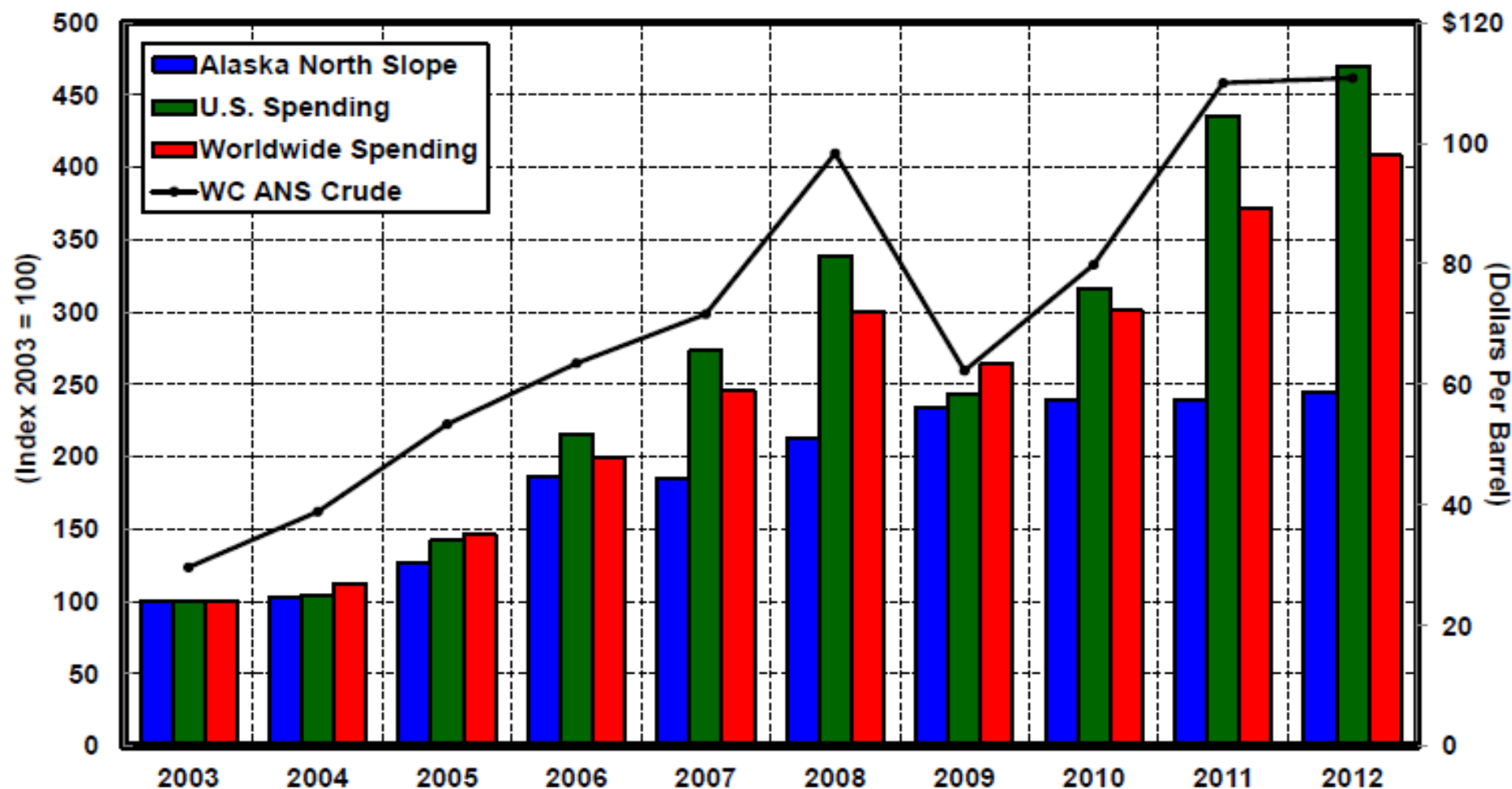


BP presence in Alaska since 1959

- **Operating area**
 - 250 miles north of the Arctic Circle
 - 1200 sq. miles (approximately the size of Rhode Island)
 - Prudhoe Bay Unit, Endicott, Milne Point, Northstar
- **People**
 - 2,300 BP Alaska employees
 - 6,000 contract employees
- **Facilities (start-up 1977)**
 - 11 major production facilities
 - 2 major gas facilities
 - 3 water handling facilities
 - 2000 production/injection wells
- **Prudhoe Bay**
 - Original production estimate ~9.6 billion barrels
 - Cumulative production has exceeded 12 billion barrels
 - More than 2 billion barrels remaining
 - Largest field in North America – 35 years
 - COP ~36%, XOM ~36%, **BP ~26%**, CVX ~2%



Estimated Capital Spending for Exploration and Development Alaska North Slope vs. U.S. and Worldwide Spending* 2003 - 2012

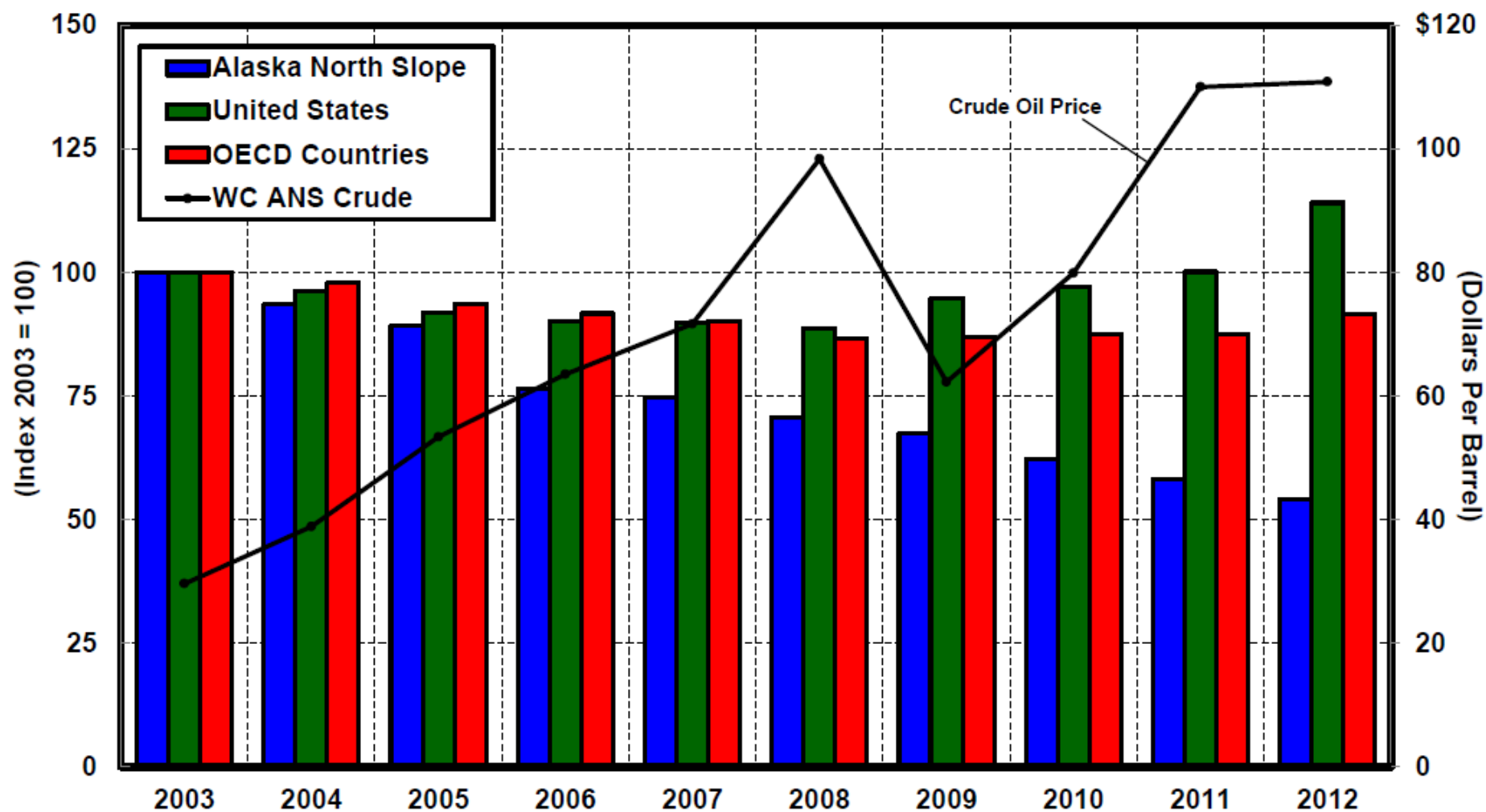


* North Slope based on tax return information; U.S. based on top 50 public companies; worldwide based on top 75 public companies

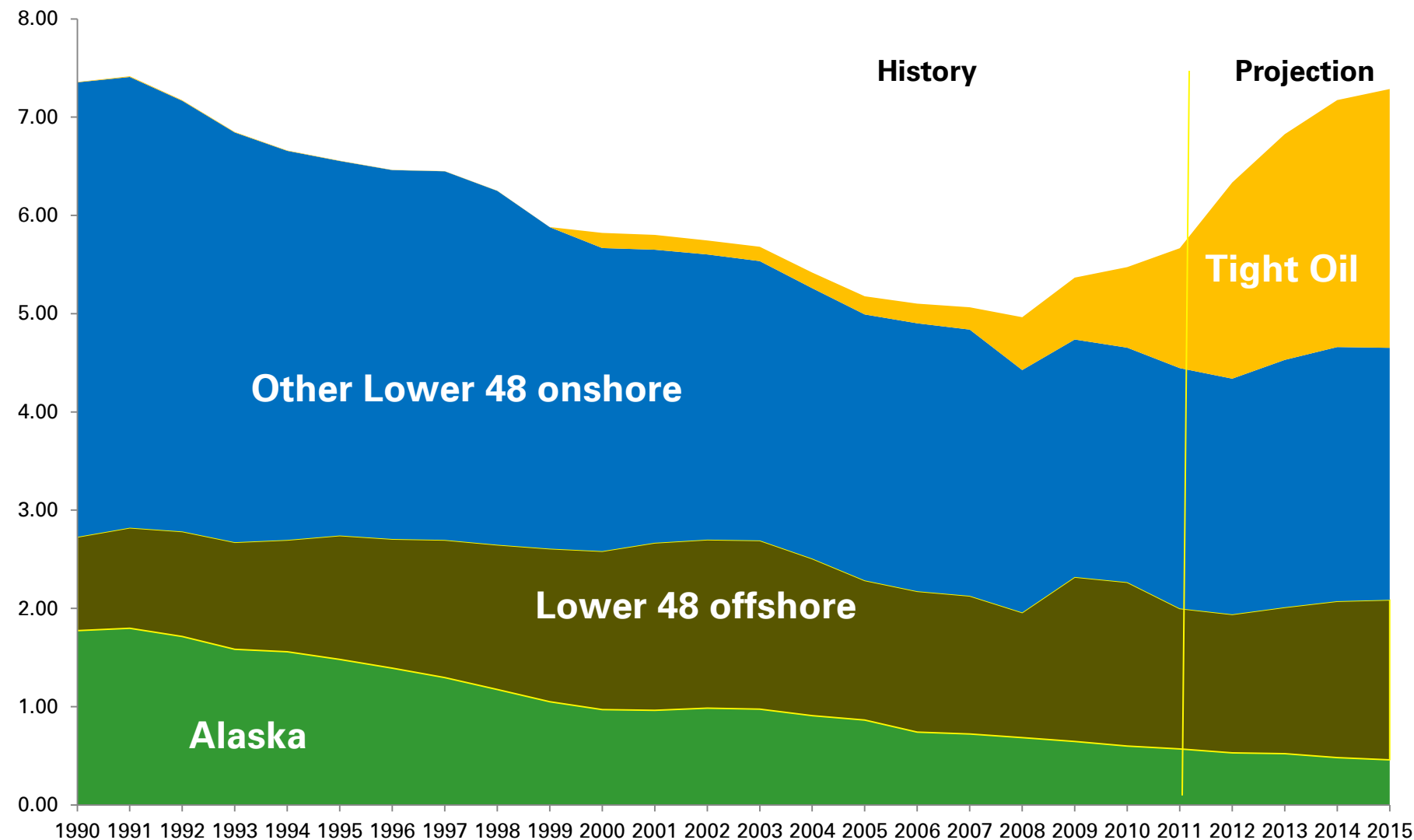
Crude Oil Production

Alaska North Slope vs. United States and OECD Countries

2003 - 2012



Both conventional and unconventional oil production has grown in the Lower 48

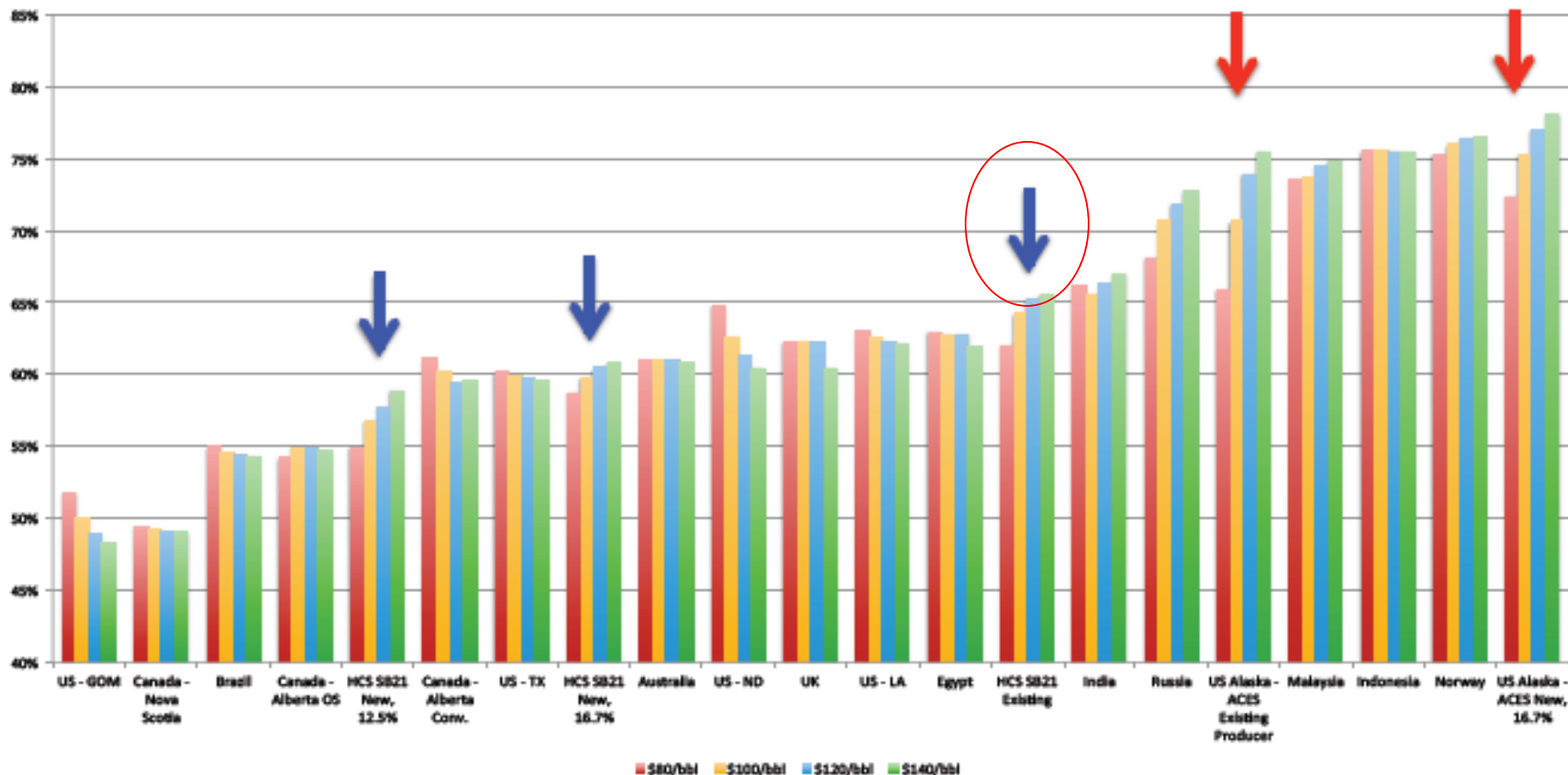


Source: EIA – Annual Energy Outlook 2013 Early Release, December 5, 2012

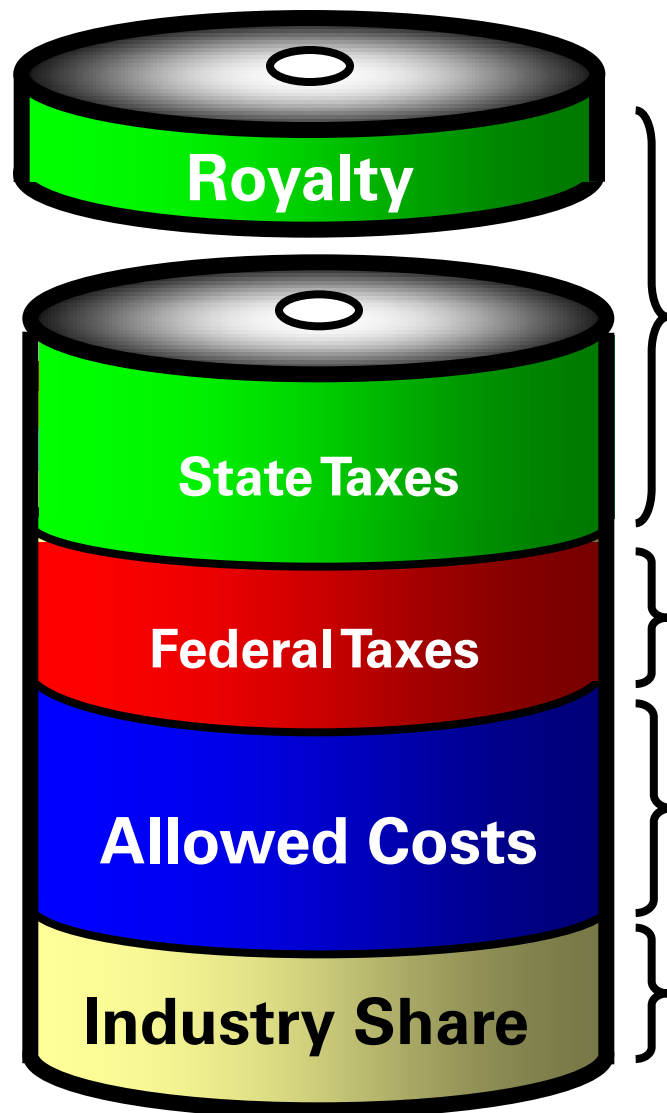
Alaska does not compete for investment



Alaska Government Take Competitiveness - Comparable Regimes



Why doesn't ACES work?



Example at \$110 per barrel

Alaska State Revenue \$36

Federal Income Tax \$12

Deductible Costs \$40

\$22 – less *non-deductible expenses

**AK Cost
of
Supply
Is
>\$88 /
bbl**

HCS CSSB 21(RES) versus ACES



ACES

- Progressivity discourages investors
- Links credits to spend
- Complex
- High base rate

HCS CSSB21(RES)

- Eliminates progressivity
- Links credits to production
- Simpler
- Higher base rate balanced with credits

In summary



- TAPS is $\frac{3}{4}$ empty and ACES has not delivered increased production
- HCS CSSB 21(RES) is a game changer and a signal that Alaska is ready to compete for investment
- The HCS CSSB 21(RES) structure could work:
 - Balances a high base rate with appropriate credits
 - Requires production to earn credits
 - Doesn't pick winners and losers
 - Provides a foundation for future opportunities