

House Resources Committee

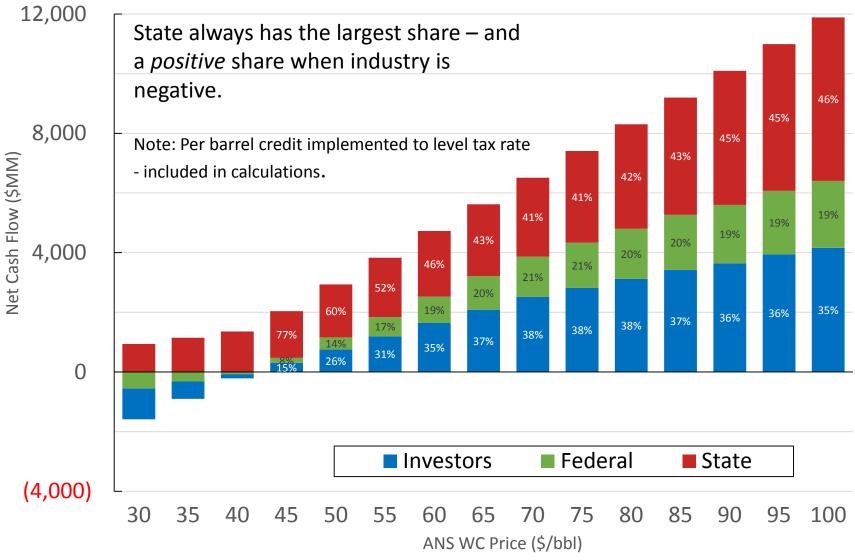
Scott Jepsen, VP External Affairs and Transportation ConocoPhillips Alaska

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SB21 Has Improved Alaska's Investment Climate

- Basic tax structure of SB21 has placed Alaska in a competitive position.
 - Flatter tax rate over a broad range of prices.
 - Secures revenue to the State at lower prices (4% minimum).
- Increased investment resulting in jobs, production and improved State revenue outlook.
- Increased competition from the unconventional opportunities in the L48 have made it even more important that Alaska not increase its cost structure through tax increases.

FY 2017 Producer Share vs ANS WC - Fall 2016 RSB Assumptions



State share shown excludes tax credits other than per barrel tax credits.

Activities Since Tax Reform (SB21) Passed

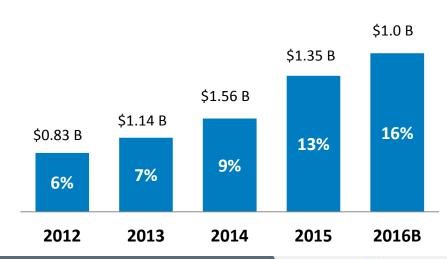
- Added two rigs to the Kuparuk rig fleet, 2013-2015
- > Two new-build rigs delivered in 2016
 - Doyon 142 and Nabors CDR3
 - Averaged 5 rigs at Kuparuk/Alpine during 2016.
- Sanctioned ERD Rig in 2016
- North East West Sak DS1H
- New drill site at Kuparuk (DS 2S) on stream a year ago
 - Estimated 8,000 BOPD gross peak production rate
 - About \$475 million gross cost to develop and 250+ construction jobs
- Sanctioned Greater Mooses Tooth 1 in 2015
- Permitting Greater Mooses Tooth 2
- Willow discovery and December 2016 lease sale
- Significant other industry investment

North Slope oil production grew 2% in 2016, the first growth in 14 years.

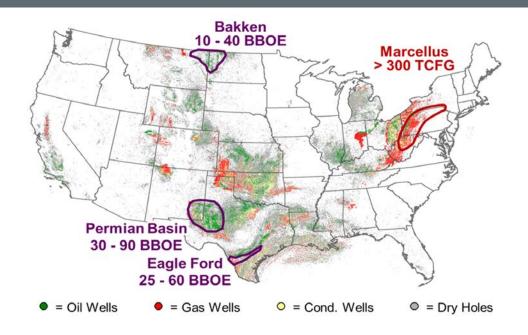
Source: Alyeska Pipeline Service Company Press Release December 30, 2016



Alaska Capex as % of COP Total



Significant Investment Competition



- Oil and gas price environment remains challenging for producers.
 - Less capital available for investment.
 - Companies allocate capital to lowest cost-ofsupply projects.

- Alaska must compete against unconventional plays that:
 - Are cheaper to develop and operate;
 - Are closer to market;
 - Have fewer regulatory hurdles.

Alaska is still opportunity rich, but so is the Lower 48. Alaska's tax policy will play a role in determining if Alaska can continue to attract investment.

