



**AOGA**

House Resources Committee  
May 1, 2019  
**Kara Moriarty, AOGA President & CEO**



# Cook Inlet



**FURIE**  
Operating Alaska LLC



**GLACIER**



**Hilcorp**



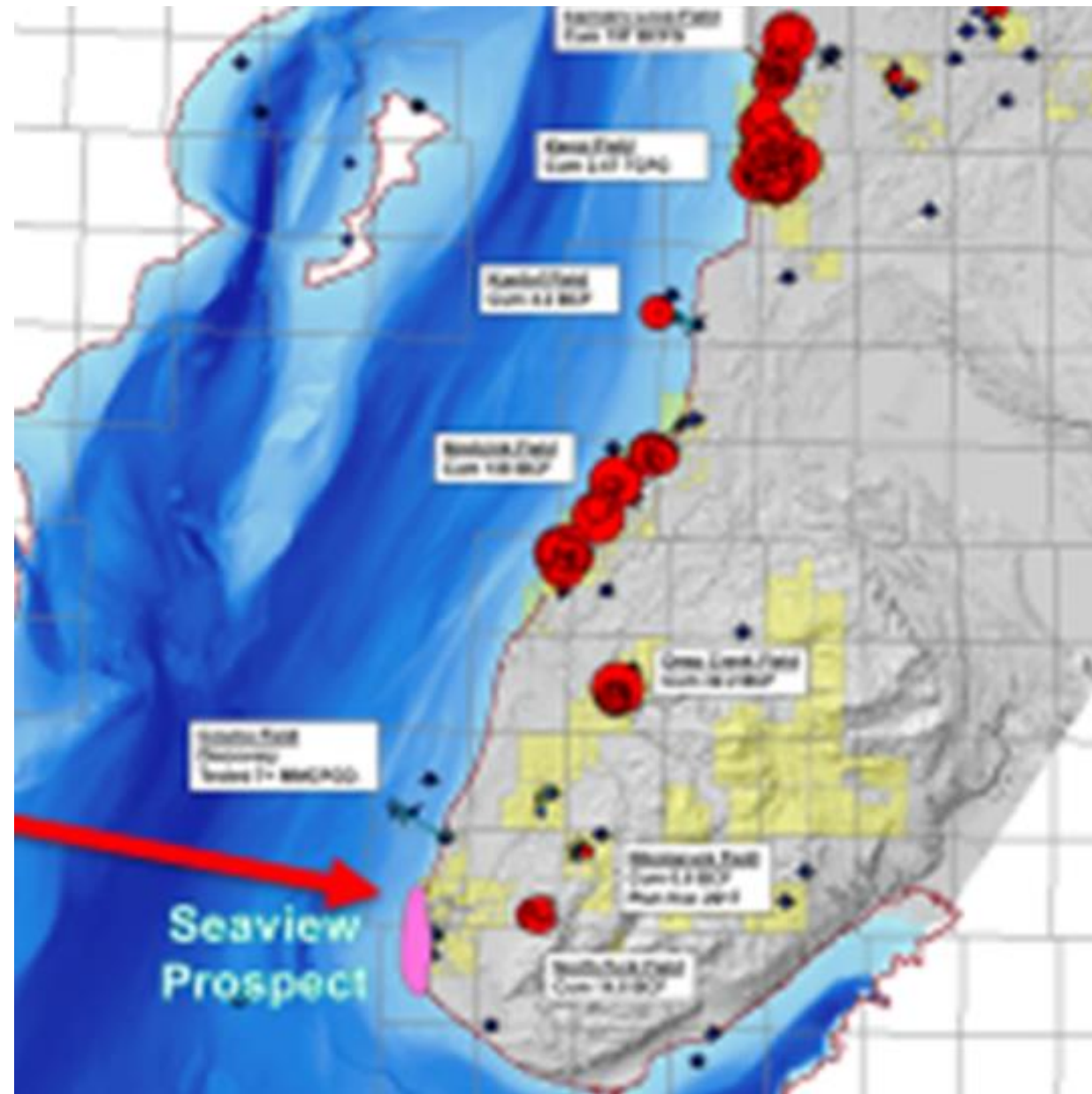


State of Alaska, Department of Natural Resources, Division of Oil and Gas, as of October 2018

The accuracy of this map is subject to pending decisions currently on appeal and other administrative actions. Please visit [www.dog.dnr.alaska.gov/information/MapsAndGIS](http://www.dog.dnr.alaska.gov/information/MapsAndGIS) to see our most current maps.

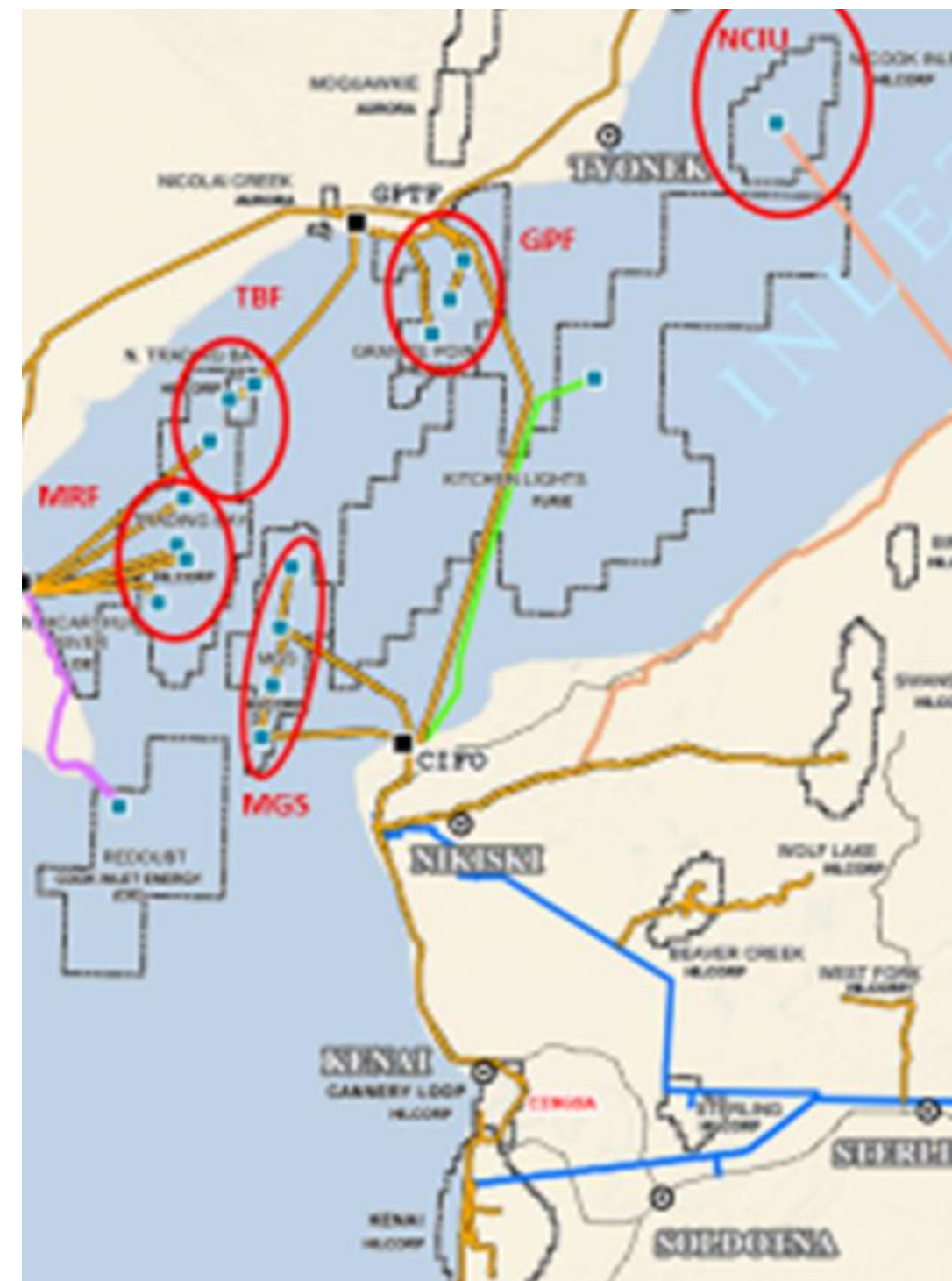


# Cook Inlet Activity Highlights



- Hilcorp plans to drill and complete a two string sidetrack out of Beaver Creek
- Seaview Prospect exploration in southern Cook Inlet in 2019
- Jack-Up drilling program at Granite Point Field; up to 3 wells

- Glacier Oil & Gas to begin drilling operations on the Osprey in June (south of Trading Bay)
- Hilcorp planning workover campaign at Trading Bay (Monopod)
- Hilcorp to conduct facility and pipeline inspection and integrity maintenance on all locations







# Interior/Valdez





# Refining in Alaska



## Petro Star Valdez Refinery

- 60,000 barrel/day crude distillation unit
- 12,000 barrel/day distillate hydrotreater and associated process units (Clean Fuels Unit)
- Primary products are commercial & military spec jet fuels and ULSD (JP-5 for USCG Kodiak)



## Petro Star North Pole Refinery

- 22,000 barrel/day crude distillation unit
- Primary products include commercial and military spec jet fuels, home heating oil, low-sulfur diesel, asphalt oil and turbine fuel



## Marathon Nikiski Refinery

- 68,000 barrel/day refinery
- Primary products include gasoline, gasoline blend stocks, jet fuel, diesel fuel, heavy fuel oils, propane and asphalt
- 31 Tesoro and other retail locations across the state



# North Slope



**ExxonMobil**



**ConocoPhillips**  
Alaska



**REPSOL**



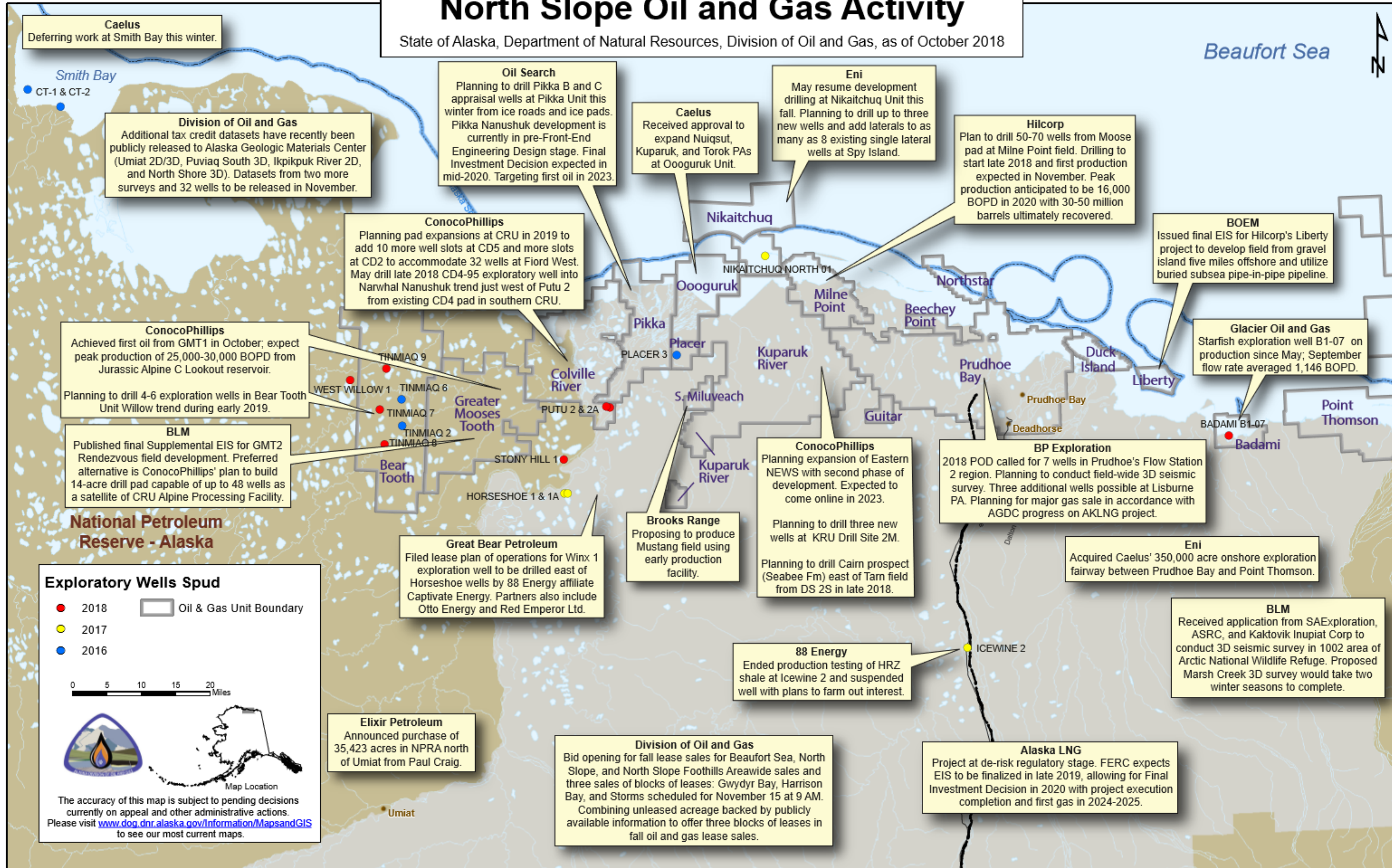
**Hilcorp**





# North Slope Oil and Gas Activity

State of Alaska, Department of Natural Resources, Division of Oil and Gas, as of October 2018





# North Slope Activity Highlights



- Hilcorp Moose Pad production started on April 6, 2019
- Currently approximately 3,000 barrels per day, with ultimate recovery estimated at 62 million barrels of oil
- Facility cost; \$140 million; Drilling cost; \$310 million

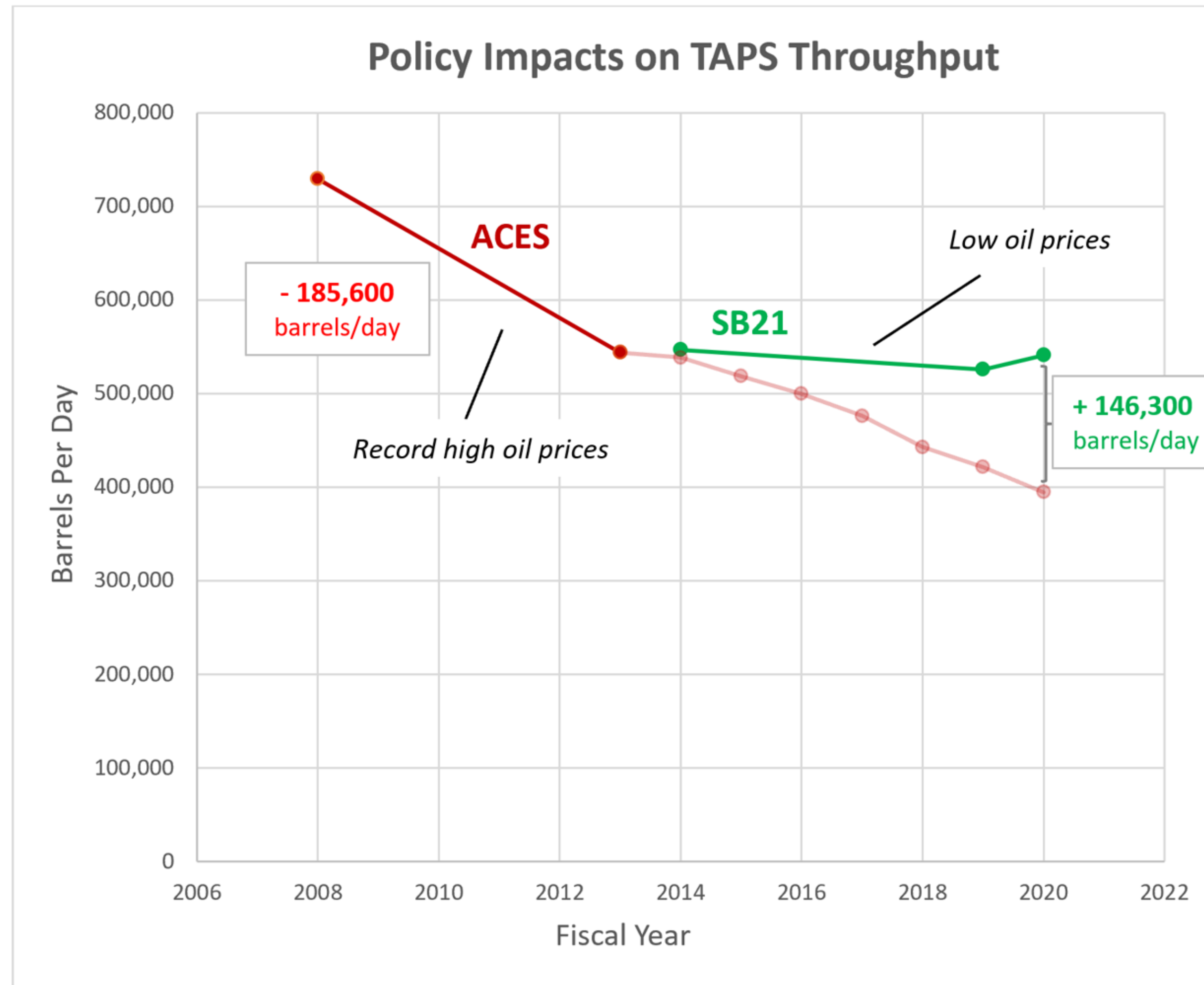
- Glacier planning rig workover at Badami in summer 2019.
- Currently, Glacier permitting for drilling gravel pad for hopeful approval later in the year.
- Eni planning to drill 3 new wells in Harrison Bay Unit as well as add laterals to as many as 8 existing single wells at Spy Island.
- Repsol is partnering with Oil Search on their planned wells in Pikka Unit.



First Ever Field Pilot on Alaska's North Slope to Validate the Use of Polymer Floods for Heavy Oil Enhanced Oil Recovery (EOR)



# Production Decline has Stemmed



\*FY14 actuals based on DOR Fall 2018 Revenue Sources Book; FY19-FY20 SB21 forecast based on DOR Spring 2019 RSB

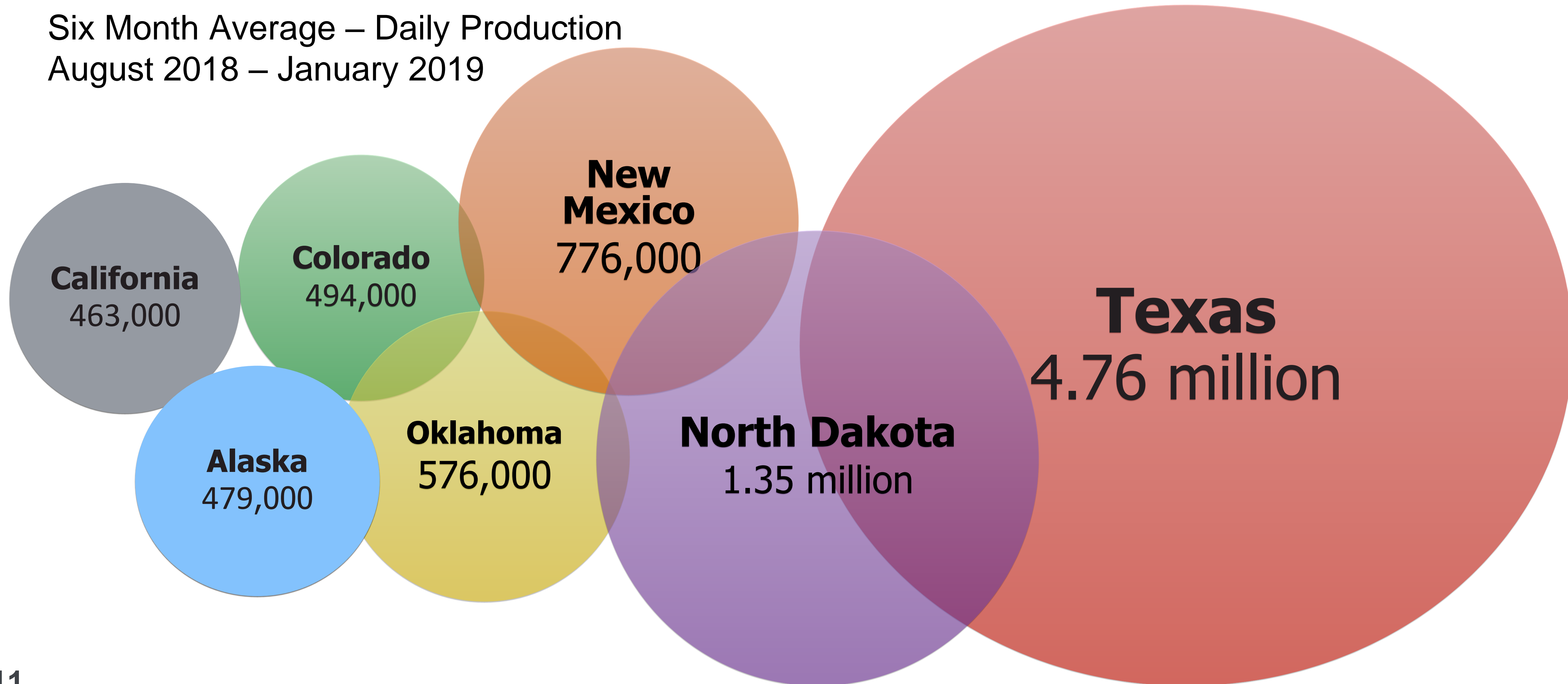
\*FY14-FY20 ACES production history and forecast assumptions based on DOR Fall 2012 Revenue Sources Book



# Alaska: 6<sup>th</sup> in U.S. Production

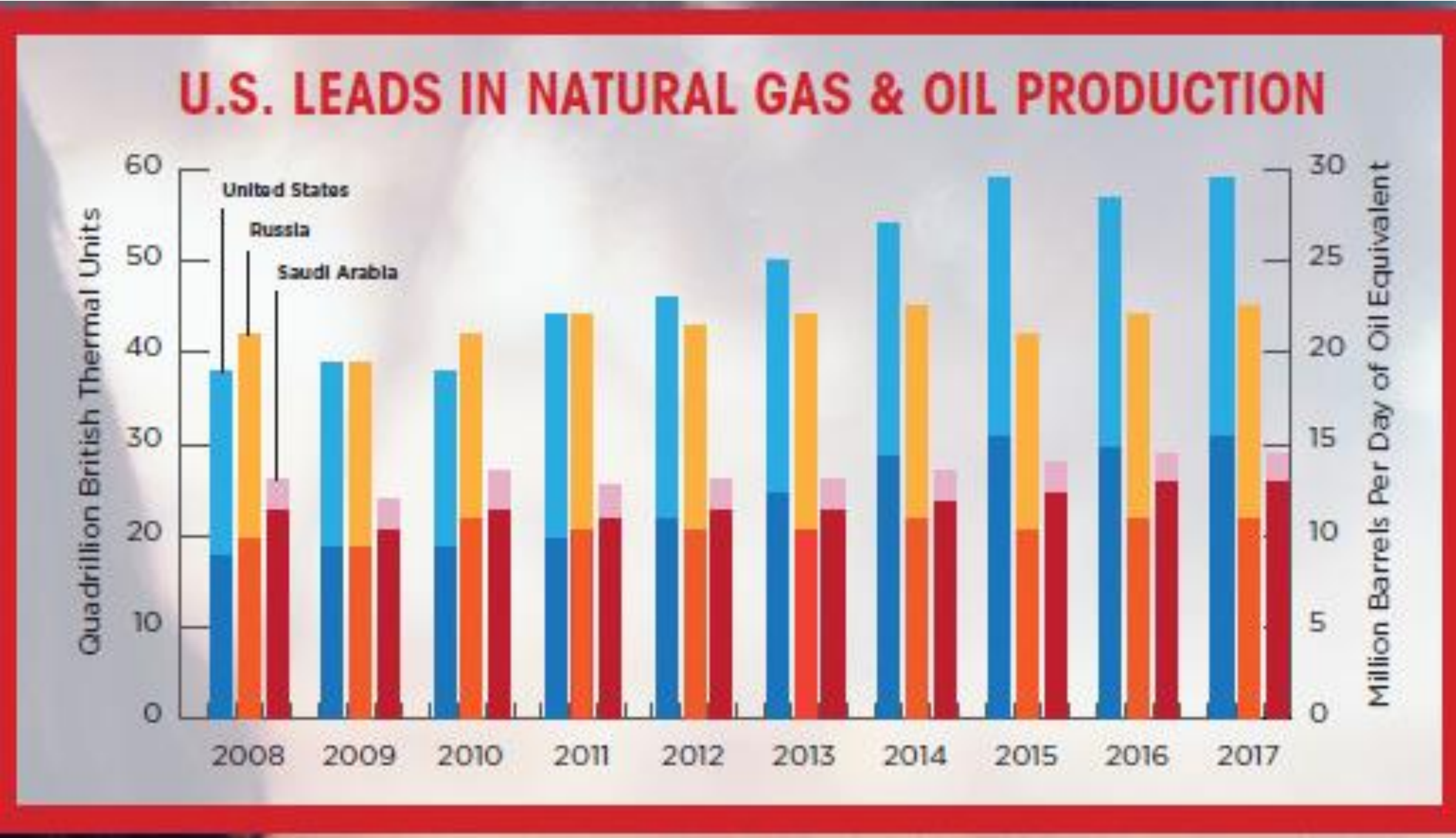


Six Month Average – Daily Production  
August 2018 – January 2019





# United States - Largest Producer in World

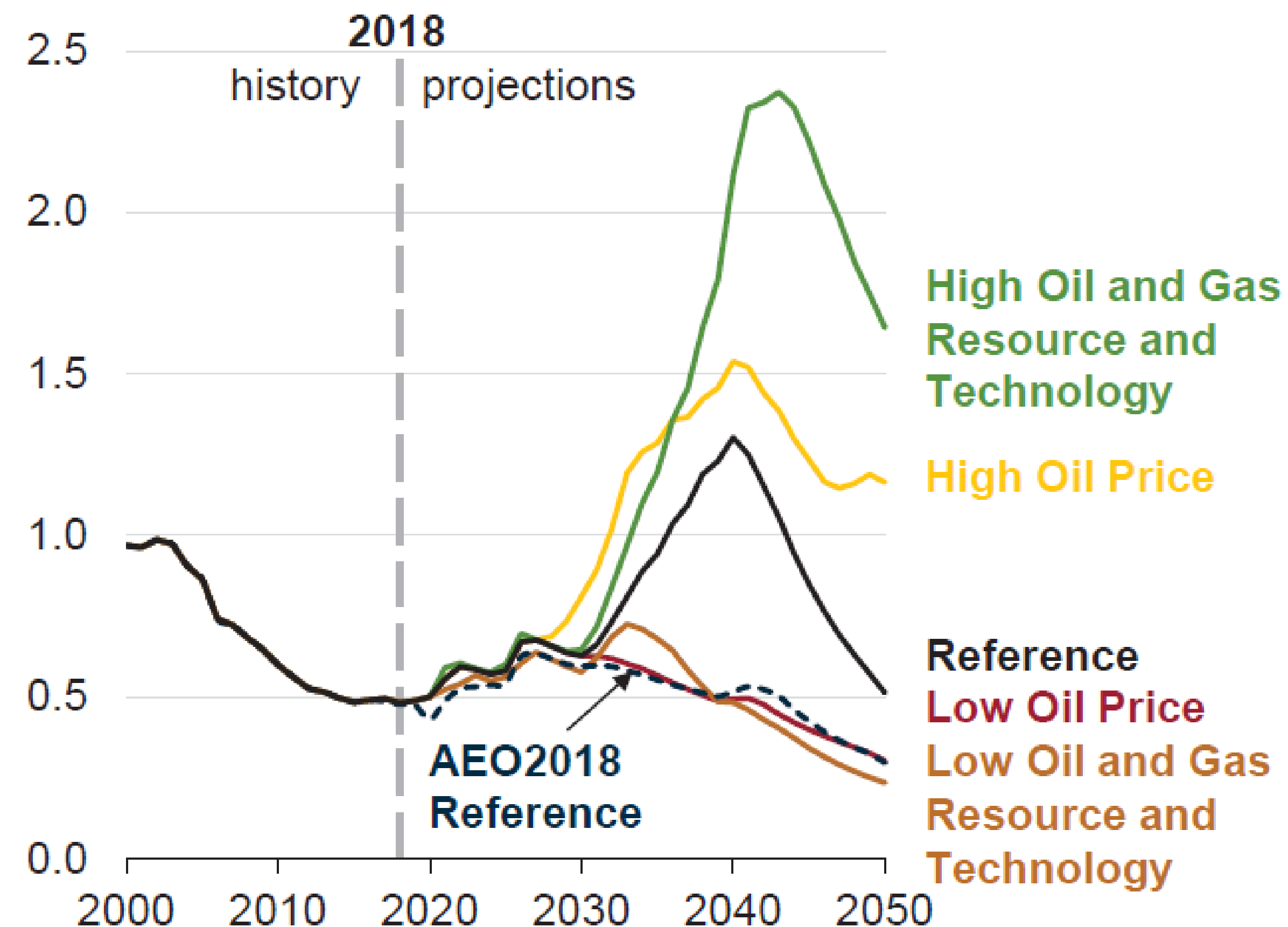




# Production Forecasts from ANWR



Alaskan crude oil production  
million barrels per day





# Oil & Gas Produces Most Revenue



## Projected FY 2020 Oil Revenue

### Unrestricted

Royalties	\$ 876.5 Million
Production Tax	\$ 524.7 Million
Corporate Income Tax	\$ 210.0 Million
Property Tax to State	\$ 121.0 Million
Other	\$ 22.7 Million
<b>Total Unrestricted</b>	<b>\$ 1.754 Billion</b>

### Restricted

Royalties to Permanent Fund	\$ 391.8 Million
Royalties to Public School Fund	\$ 6.5 Million
CBRF Deposits	\$ 150.0 Million
NPRA Rents/Etc.	\$ 10.8 Million
<b>Total Restricted</b>	<b>\$ 559.1 Million</b>

**TOTAL Oil Revenue to State \$ 2.314 Billion**

**Property Tax to Local Governments \$ 439.9 Million**

### Examples of Fees Paid by Industry in Addition to Taxes and Royalties

AOGCC Regulatory Cost Charge	\$ 7.6 Million
Spill Response Fund	\$ 7.0 Million

## Examples of Other Projected State Revenue for FY 2020\*

### Unrestricted

Corporate Income Tax	\$ 135.0 Million
Insurance Premium Tax	\$ 58.2 Million
Mining Tax	\$ 42.3 Million
Tobacco Tax	\$ 40.1 Million
Fisheries Tax	\$ 22.3 Million
Alcohol Tax	\$ 20.7 Million
Large Passenger Vessel Gambling	\$ 10.7 Million
Marijuana Tax	\$ 5.3 Million
Other (charitable game, etc.)	\$ 4.0 Million

### Restricted

Motor Fuel Tax	\$ 35.8 Million
Alcohol Beverage Tax	\$ 20.1 Million
Marijuana Tax	\$ 15.9 Million
Vehicle Rental Tax	\$ 11.2 Million

Mining Revenue to Local Governments \$ 34.0 Million

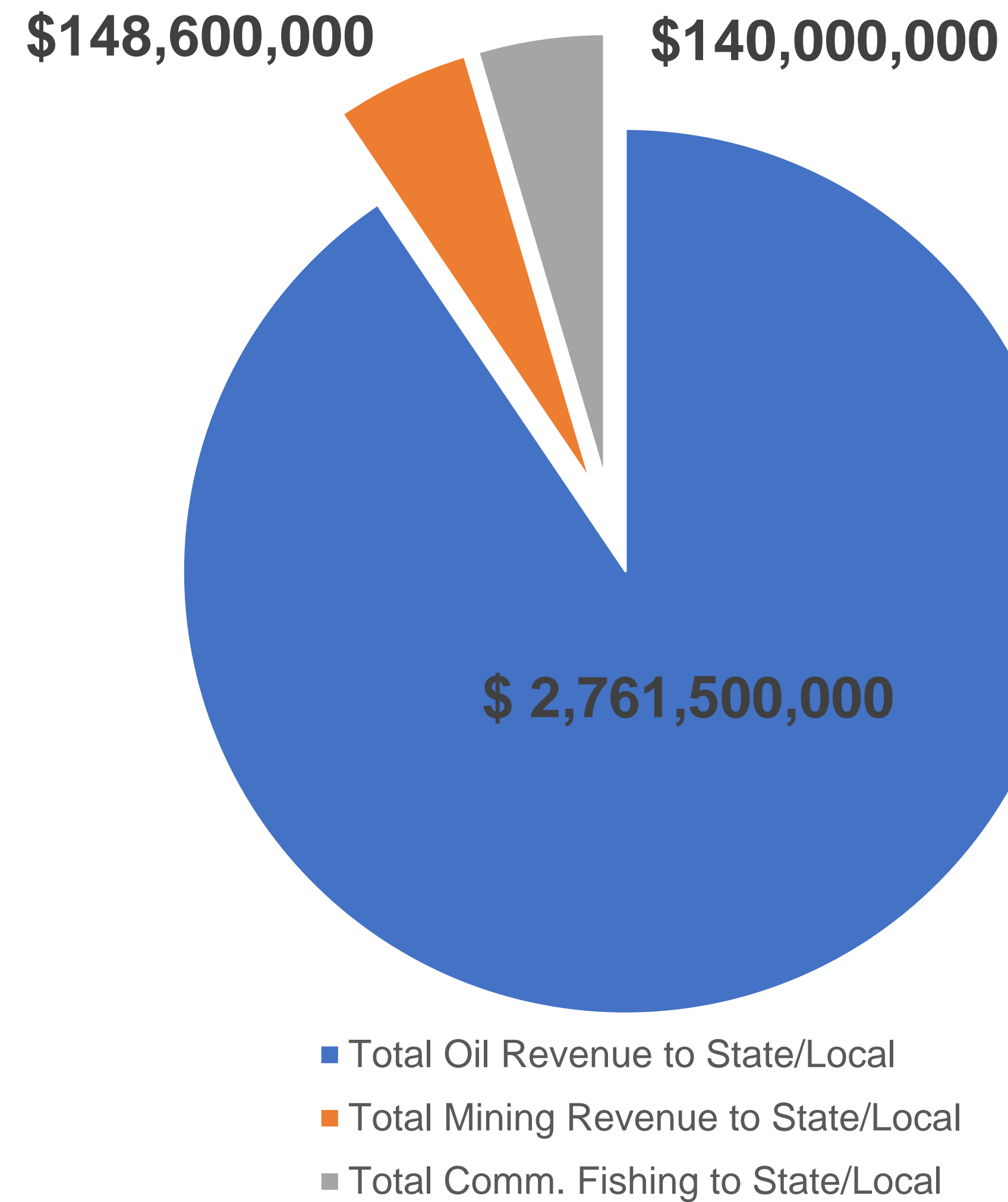
***\*This list does not include all revenues to the state***

*Source: DOR Revenue Sources Book, Spring 2019*

*\*Property Tax to Local Jurisdictions Assumption from FY18 History, DOR Revenue Sources Book, Fall 2018*



# Projected FY 2020 Revenue Comparison



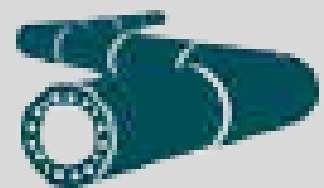


# Oil & Gas Industry Produces Most Jobs



## Total Jobs & Income Created by Basic Sector Industries in Alaska

### Oil & Gas



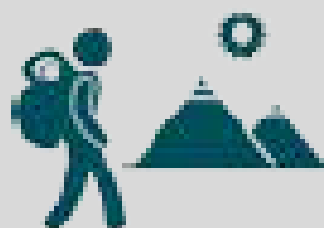
103,900 jobs  
\$6.0 Billion

### Seafood



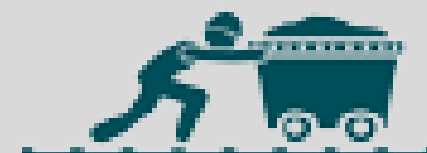
36,800 jobs  
\$2.0 Billion

### Visitor



39,700 jobs  
\$1.4 Billion

### Mining



8,600 jobs  
\$675 Million

Basic sectors bring new income into the economy. The industries above drive Alaska's economy, collectively accounting for approximately 40% of total employment in Alaska.

- Direct quotes from McDowell reports:

***“No other private sector comes close to generating more economic impact in Alaska than Alaska’s oil and gas industry.”***

***“The seafood industry directly employs more workers than any other private sector industry. Including multiplier effects, it is the third-largest basic sector job creator in Alaska after the oil and gas and visitor industries.”***

- Oil & gas represents nearly a third of all wage and salary jobs in Alaska; **meaning oil and gas creates more jobs than seafood, visitor and mining combined.**

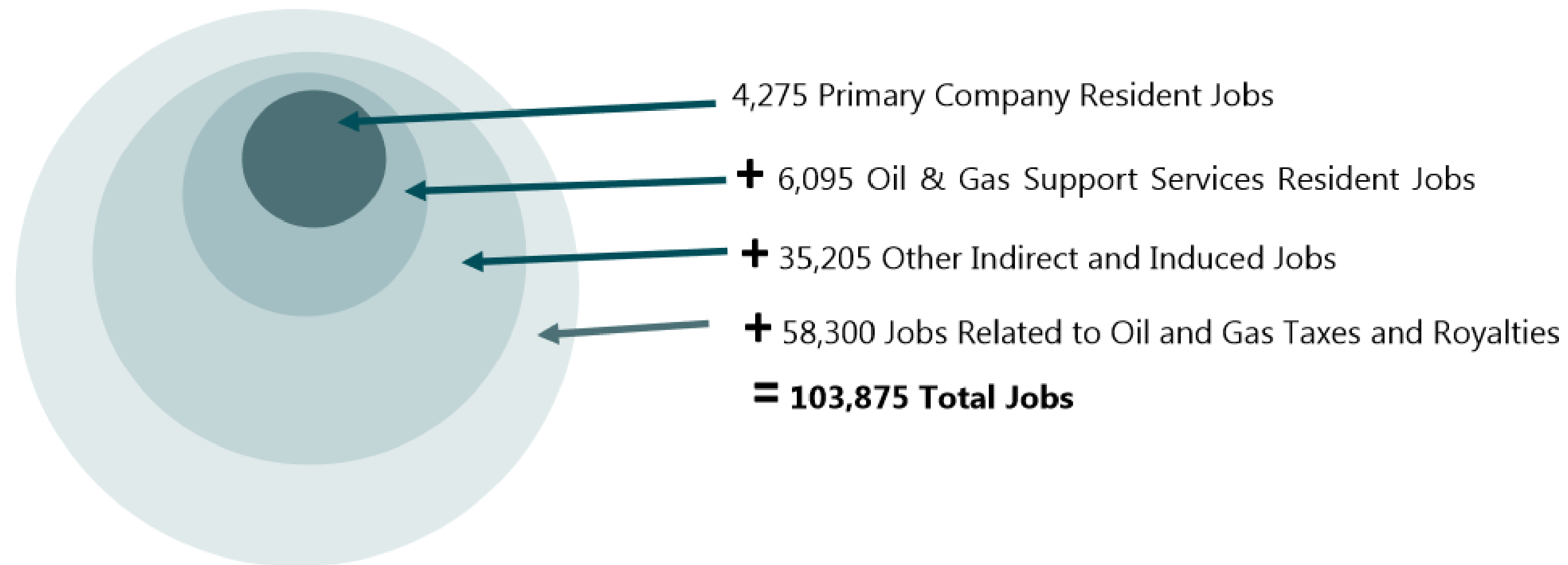
Note: Figures shown above include multiplier effects.  
Source: McDowell Group economic impact studies (2016-2017).



# Oil & Gas Jobs Create Economic Growth



Figure ES1. Estimated Economic Impact of Alaska's Oil and Gas Industry on Alaska's Employment, 2016



Source: Primary Company data and McDowell Group estimates.

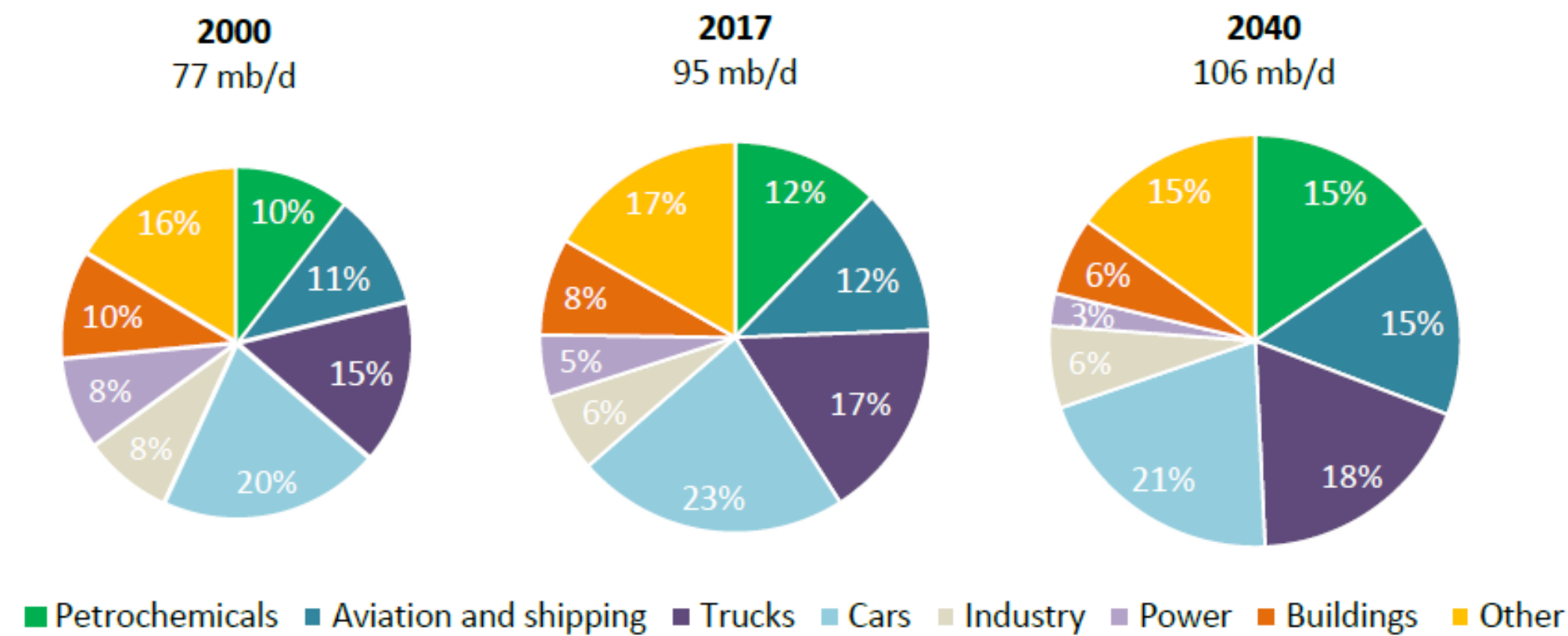
- The oil and gas **industry spent \$4.6 billion with over 1,000 Alaskan vendors** in 2016.
- Primary oil and gas companies directly **hired 4,275 Alaskan residents, paying \$749 million** in wages.
- Alaska residents represent 85% of Primary company total hire.
- For **every dollar earned by employees of the Primary Companies, a total of \$8 additional wages** are generated in Alaska.



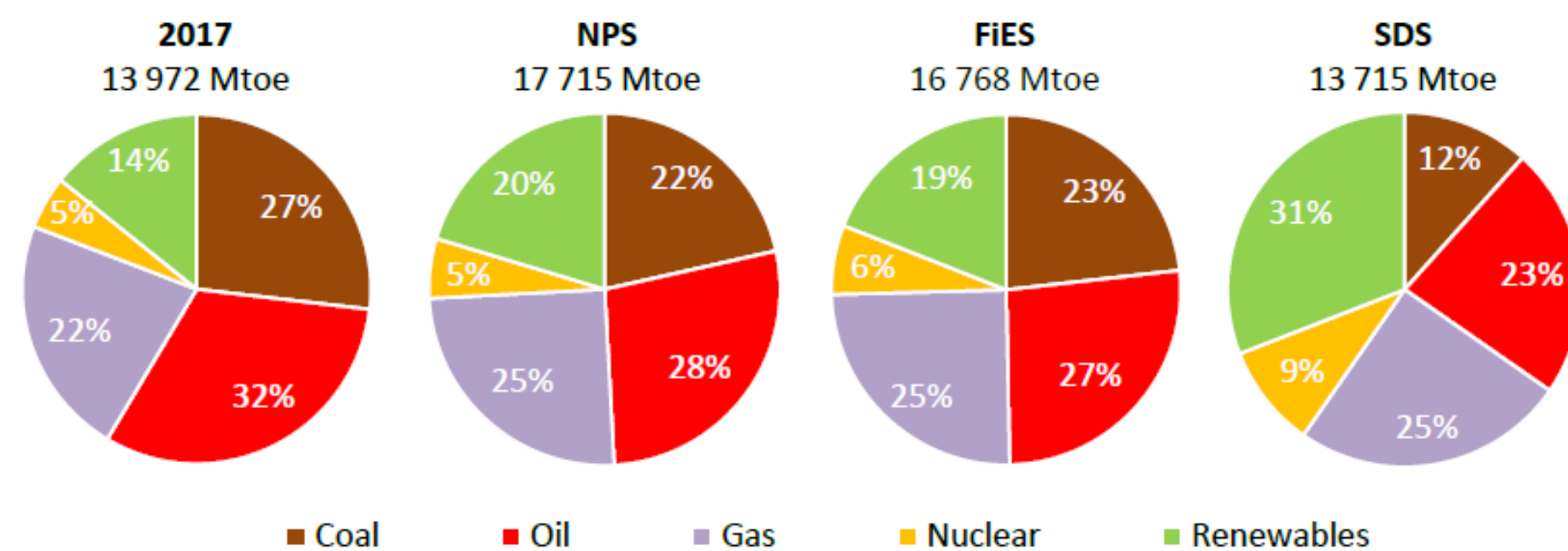
# Future: World Needs Oil & Gas



**Figure 3.5** ▶ Global oil demand by sector in the New Policies Scenario

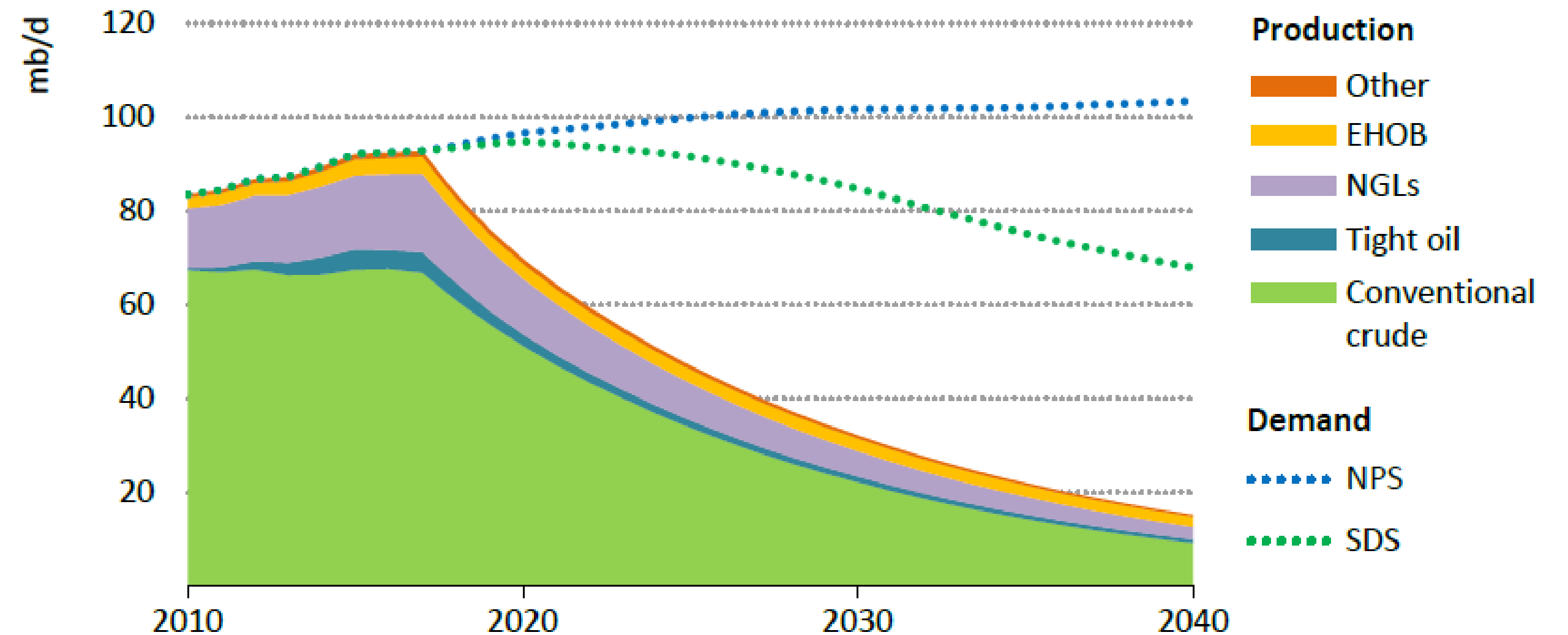


**Figure 10.15** ▶ Shares of fuels in world primary energy demand today and in 2040 by scenario



Promoting energy security is an important policy consideration; electrification, together with energy efficiency and other alternative fuels, can help achieve this goal

**Figure 3.13** ▶ Oil production with no new investment from 2018 and demand in the New Policies and Sustainable Development scenarios



With no new investment, global oil production would halve by 2025: an average loss of nearly 6 mb/d every year

Note: EHOB = extra-heavy oil and bitumen; NGLs = natural gas liquids; NPS = New Policies Scenario; SDS = Sustainable Development Scenario.

Source: International Energy Agency – World Energy Outlook 2018



# Future: Alaska Needs to Compete



April 30, 2019

Berkshire Hathaway to invest \$10 billion in Occidental to finance...

**Bloomberg**

## Occidental Bids \$38 Billion for Anadarko in Plan to Beat Chevron

By [Simon Casey](#) and [Kevin Crowley](#)

April 24, 2019 3:10 AM AKDT Updated on April 24, 2019 2:56 PM AKDT

**THE WALL STREET JOURNAL.**

## Chevron, Exxon Mobil Tighten Their Grip on Fracking

Chevron to double production in Permian Basin in next five years; Exxon to boost Permian output to one million barrels a day by as early as 2024

By [Bradley Olson](#)

Updated March 5, 2019 4:34 p.m. ET

**Forbes**

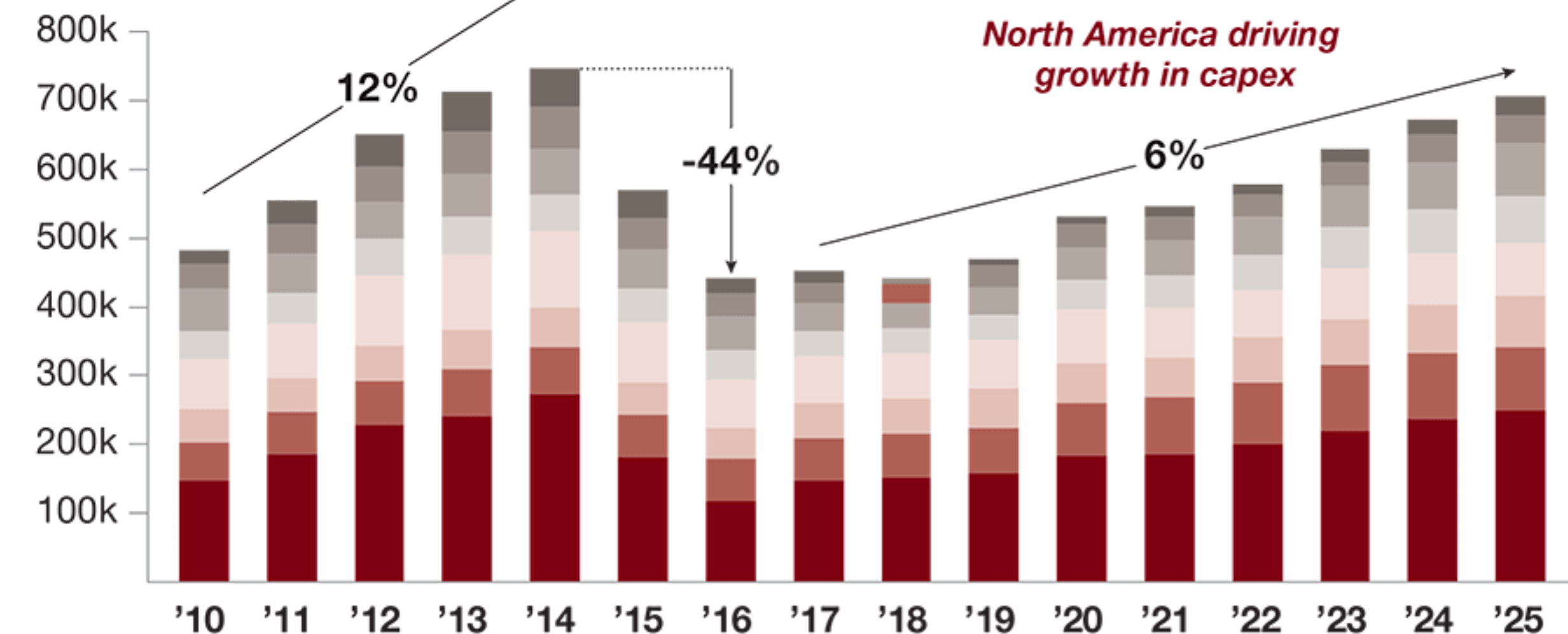
3,068 views | Feb 22, 2019, 02:58pm

## New Oil And Gas Project Investment Set To Triple In 2019's Stable Climes

## Expanding investments in oil and gas exploration

### Global oil and gas capital expenditures

US\$ millions



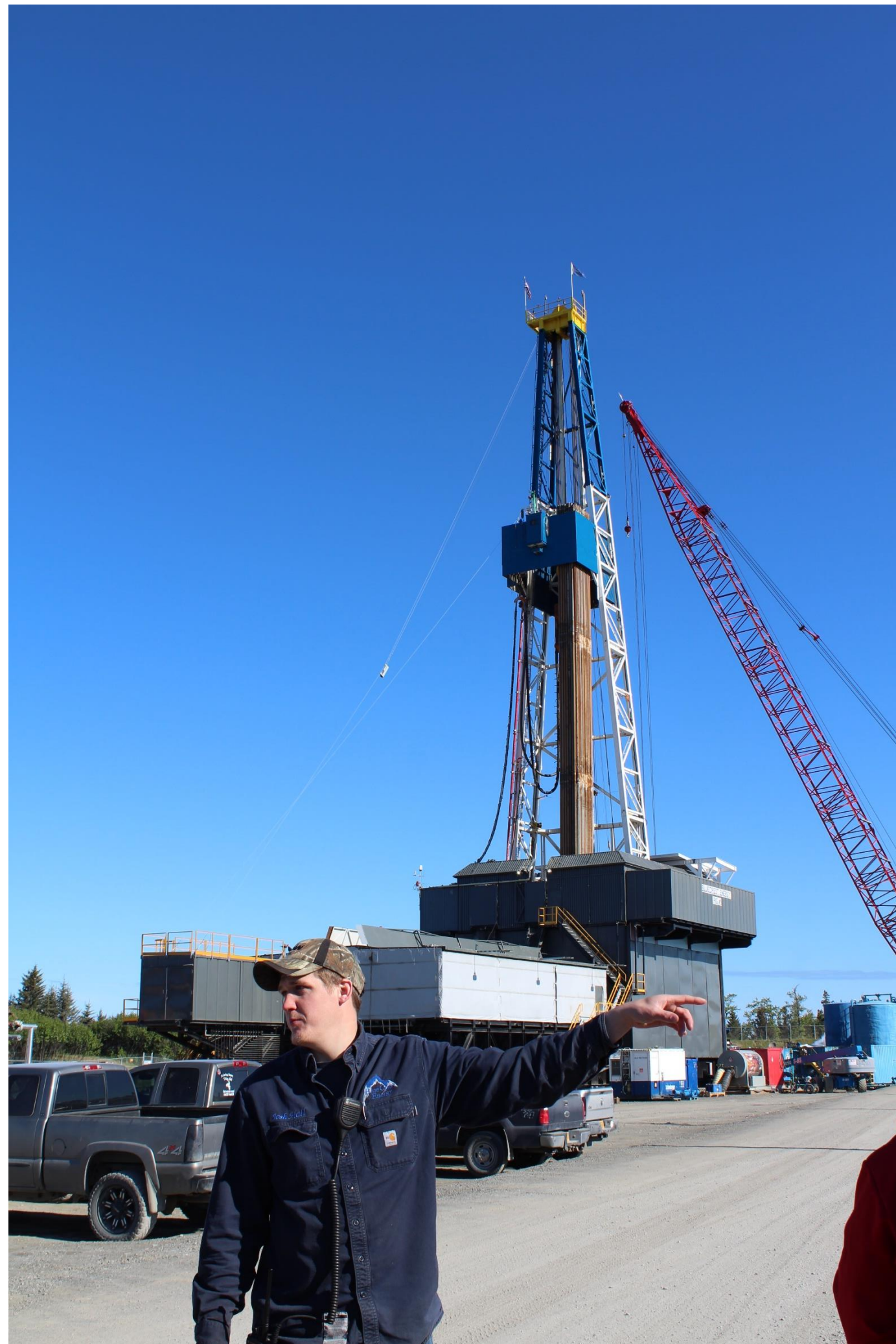
Source: Rystad Energy; Strategy& research

Source: Strategyand.pwc.com





# Future: Industry Needs Great People



“IT’S A CONTINUOUS  
BALANCE OF EVOLUTION  
AND SIMPLIFICATION,  
INNOVATION AT ITS BEST.”

KLINT VANWINGERDEN  
Alyeska Pipeline

