

Revenue Sources Books, Alaska Department of Revenue
Excerpts re: North Slope Production Decline, 1988 - 1994

October 1988 Revenue Sources

"It is important to emphasize that the North Slope producers, while not agreeing on the exact date, have concluded that North Slope production will commence to decline in either FY 89 or FY 90."

Spring 1989 State Revenue Forecast

"Alaskan production is expected to fall to about half its present levels by the later 90's ... Therefore, only a combination of budget cuts, more efficient programs, and new revenues will allow the State to move into the 90s without significant disruptions in public services ..."

Fall 1989 Revenue Sources Book

"The fall in oil production means that the inevitable decline in the huge Prudhoe Bay field has started sooner than we predicted ... This forecast assumes that production from the Prudhoe Bay field will continue to fall steadily, and will drop to less than half its present level in less than 10 years."

"Some observers may believe that exploration will discover another Prudhoe Bay. Prudhoe Bay is the largest oil field in North America, and finding such a 'supergiant' is extremely rare."

"The State of Alaska is standing on a precipice. Only a combination of budget cuts, more efficient programs, and new revenues will keep the State from falling a long way ..."

"The decline in production from the Prudhoe Bay field is a central issue for Alaska ... The decline in Prudhoe Bay production is now expected to be much more rapid than assumed in our Spring forecast."

Spring 1990 Revenue Sources Book

"The bad news for Alaska's revenue outlook is that oil production is falling (the second year in a row) and Trans Alaska Pipeline tariffs are going up. Expensive repairs to the pipeline will raise the cost of shipping Alaskan oil and reduce the wellhead value on which our taxes and royalties are figured ... We need to confront the fact that Alaska's oil production in a dozen years will be one-fourth the present level. Unless production increases four fold, or the price for oil quadruples (to \$80), we are at the precipice ... The decline in production from the Prudhoe Bay field is a central issue for Alaska."

Fall 1990 Revenue Sources Book

"The success of recent projects to increase production from all existing North Slope oil fields, and the prospect of new production, will postpone serious decline in Alaska production for a couple more years. However, barring discovery of new reserves, production will begin to fall dramatically. This forecast assumes that production will fall to half of current levels within 12 years ... Statewide oil production is expected to decline 10% to 12% through 1995 and 50% by the year 2003."

Fall 1991 Revenue Sources Book

"Oil production from the North Slope continues to decline as the mammoth Prudhoe Bay field and the other smaller fields are depleted. This problem is not going away and the farther the decline curve is projected into the future, the bigger the problem becomes."

Spring 1992 Revenue Sources Book

"The long-term revenue outlook is dominated by the depletion of petroleum reserves of the Prudhoe Bay oil field ... Despite the start of the irreversible decline at the Prudhoe Bay field this year, continued success in reservoir management in all fields will hold statewide production decline throughout fiscal year 1995 to less than 9% total (3% per year)."

Fall 1993 Revenue Sources Book

"Summer maintenance on the North Slope, installation of the GHX-2 facility at Prudhoe Bay and the start-up of the West Beach, Point McIntyre and North Prudhoe Bay State fields have slowed the decline of ANS production ... Field enhancement, the addition of three new North Slope satellite oil fields and the prospect of a commercial find in Cook Inlet should keep the decline in Alaska production from four to five percent per year through 1999."

Spring 1994 Revenue Sources Book

"The Prudhoe Bay field, which accounts for two-thirds of Alaska statewide production, is in irreversible decline."