

# Discussion Slides: Alaska Senate Finance Committee

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# Difficulties in Existing Fiscal Structure

- The incorporation of progressivity into the Profit-Based Production Tax (Net) in ACES creates two significant problems
  - Large-scale gas production at low gas prices could in the future significantly reduce production tax revenue from existing oil production
    - Resolving this problem within the framework of ACES requires significant complexity
    - Approach to decoupling in CSSB 192 requires ability to split costs between oil and gas production, creating high degree of administrative burden, and limiting capacity of state to effectively audit
  - Options for incentivizing new production are limited, and relatively complex
    - Proposed incentives within existing framework focus on either allowances to reduce Production Tax Value , or revenue exclusions (tax holiday)

# Summary of Progressive Severance Tax (Gross) Structure

- A Progressive Severance Tax (Gross) option would instead remove progressivity from the Profit-Based Production Tax (Net), instead levying this tax at the flat, base rate of 25%
- To retain an element of progressivity, a new Progressive Severance Tax (Gross) would then be added to the system. The tax would:
  - Be non-deductible for Profit-Based Production Tax purposes
  - Be levied on gross production (net of royalties)
  - Be levied solely on oil
  - The tax would use a progressivity structure not dissimilar to that under the current system, with progressivity coefficients that apply at different thresholds.

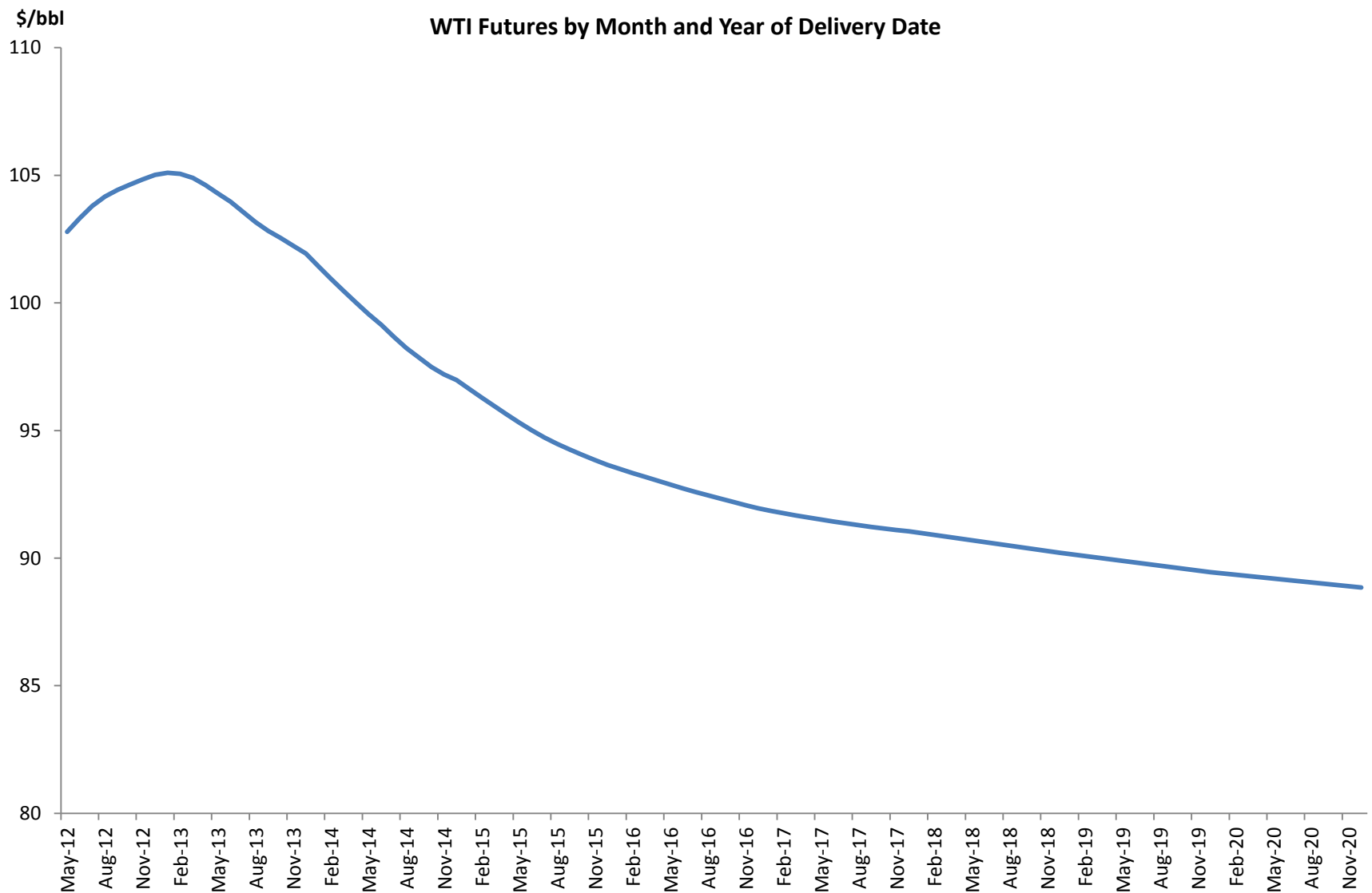
# Summary of Progressive Severance Tax (Gross) Options

- The first option for the Progressive Severance Tax would use the following parameters:
  - No severance tax below \$65 Gross Value at Point of Production (GVPP)
  - Progressivity of .25% commencing at a threshold of \$65 GVPP
  - At \$125 GVPP, a tax rate of 15% is reached. At this point, progressivity is reduced to 0.05%
  - Progressivity is capped 20%
- A second option, which would freeze government take at 70% at \$100/bbl might look like this:
  - No severance tax below \$60 Gross Value at Point of Production (GVPP)
  - Progressivity of .25% commencing at a threshold of \$60 GVPP
  - At \$100 GVPP, a tax rate of 10% is reached. At this point, progressivity is reduced to 0.03%
  - Progressivity is capped 20%

# Benefits of Progressive Severance Tax (Gross) Structure

- By removing progressivity from the Profit-Based Production Tax (Net), and having the progressive element of the structure be a Progressive Severance Tax (Gross), two things become much easier to achieve
  - The issue of gas production reducing production tax revenue ceases to be a problem without progressivity in the Profit-Based Production Tax
    - Complex provisions to split costs between oil and gas production under CSSB 192 are thus no longer required
  - Significant incentives can be provided to new production, by eliminating or reducing the Progressive Severance Tax (Gross) for new production
- A wide range of levels of government take can be achieved using this structure, depending on the parameters applied

# WTI Light Sweet Crude - Forward Curve



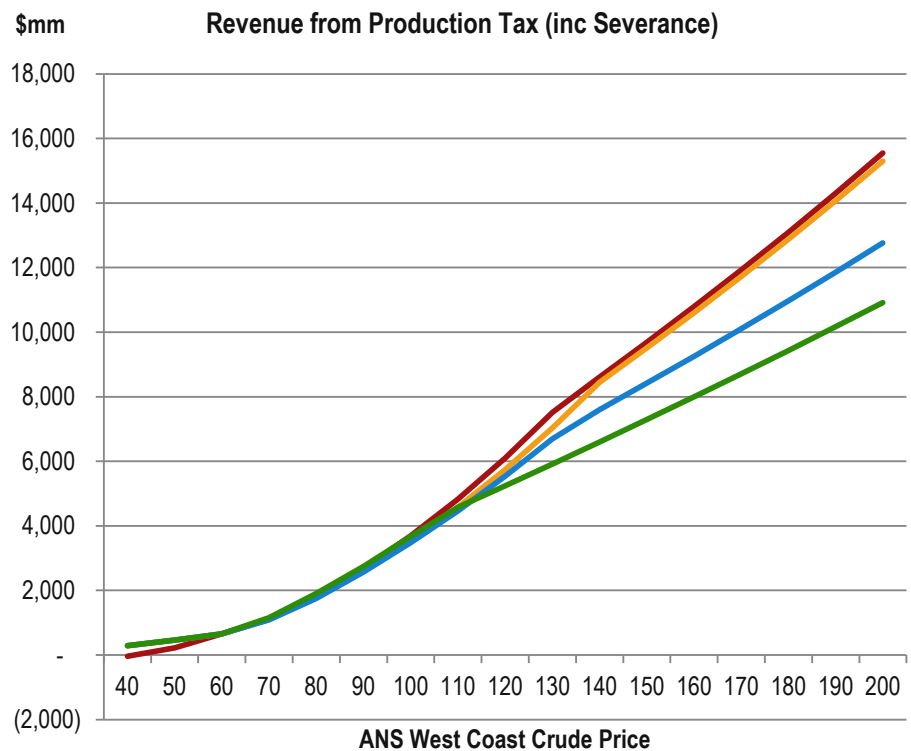
# FY 2013 Revenue Comparison

ANS West Coast Oil Price

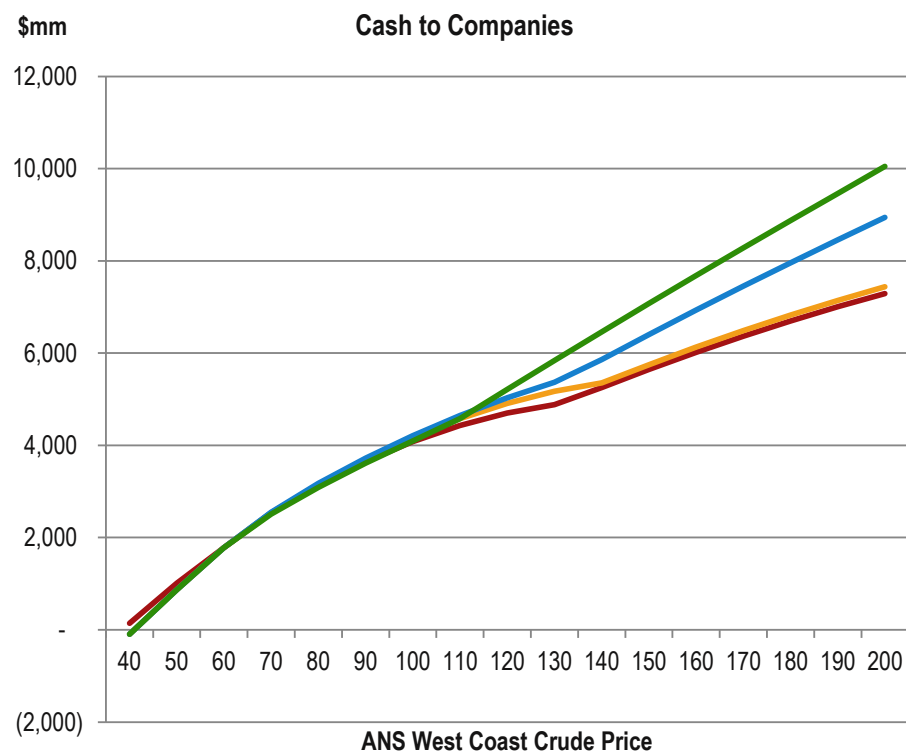
	Production Tax				Total State Take				Total Government Take				Cash to Companies				FY 2013 % Government Take			
	ACES	CSSB 192	Severance Tax Option 1	Severance Tax Option 2	ACES	CSSB 192	Severance Tax Option 1	Severance Tax Option 2	ACES	CSSB 192	Severance Tax Option 1	Severance Tax Option 2	ACES	CSSB 192	Severance Tax Option 1	Severance Tax Option 2	ACES	CSSB 192	Severance Tax Option 1	Severance Tax Option 2
40	(39)	289	289	289	1,352	1,660	1,660	1,660	1,427	1,660	1,660	1,660	139	(95)	(95)	(95)	91%	106%	106%	106%
50	222	461	461	461	1,983	2,202	2,202	2,202	2,527	2,669	2,669	2,669	1,010	868	868	868	71%	75%	75%	75%
60	653	653	653	653	2,769	2,769	2,769	2,769	3,728	3,728	3,728	3,728	1,780	1,780	1,780	1,780	68%	68%	68%	68%
70	1,109	1,106	1,084	1,157	3,577	3,575	3,555	3,621	4,943	4,941	4,929	4,972	2,536	2,538	2,551	2,508	66%	66%	66%	66%
80	1,831	1,792	1,754	1,909	4,631	4,595	4,560	4,702	6,318	6,294	6,272	6,364	3,133	3,157	3,179	3,087	67%	67%	66%	67%
90	2,692	2,599	2,571	2,747	5,811	5,725	5,699	5,861	7,775	7,719	7,703	7,807	3,648	3,703	3,720	3,615	68%	68%	67%	68%
100	3,691	3,527	3,474	3,671	7,117	6,966	6,918	7,099	9,314	9,216	9,184	9,302	4,080	4,178	4,209	4,092	70%	69%	69%	69%
110	4,827	4,575	4,463	4,577	8,549	8,318	8,215	8,320	10,935	10,785	10,718	10,786	4,430	4,581	4,647	4,579	71%	70%	70%	70%
120	6,102	5,744	5,538	5,240	10,108	9,781	9,592	9,319	12,638	12,425	12,302	12,125	4,698	4,911	5,034	5,212	73%	72%	71%	70%
130	7,515	7,035	6,700	5,914	11,794	11,354	11,047	10,327	14,424	14,138	13,939	13,470	4,884	5,170	5,370	5,838	75%	73%	72%	70%
140	8,614	8,445	7,598	6,597	13,192	13,037	12,261	11,345	16,023	15,922	15,417	14,822	5,257	5,357	5,862	6,458	75%	75%	72%	70%
150	9,684	9,512	8,417	7,291	14,563	14,406	13,402	12,372	17,604	17,502	16,849	16,179	5,647	5,749	6,402	7,072	76%	75%	72%	70%
160	10,787	10,601	9,253	7,996	15,965	15,794	14,559	13,408	19,205	19,094	18,291	17,543	6,017	6,128	6,931	7,679	76%	76%	73%	70%
170	11,925	11,723	10,106	8,710	17,399	17,214	15,732	14,454	20,827	20,707	19,744	18,913	6,367	6,487	7,450	8,281	77%	76%	73%	70%
180	13,098	12,880	10,977	9,435	18,864	18,665	16,921	15,509	22,470	22,340	21,207	20,289	6,696	6,825	7,959	8,876	77%	77%	73%	70%
190	14,305	14,072	11,864	10,171	20,361	20,148	18,126	16,574	24,133	23,994	22,680	21,671	7,004	7,143	8,457	9,465	78%	77%	73%	70%
200	15,546	15,298	12,769	10,917	21,890	21,662	19,346	17,649	25,816	25,668	24,163	23,060	7,292	7,440	8,945	10,048	78%	78%	73%	70%

Note: Consistent with DOR methodology, these revenue numbers do not include payments for tax credits which are not claimed against current production, as these are accounted for separately in the budget. In 2013, DOR forecasts a potential liability of \$400mm for these credits.

# FY 2013 Revenue Comparison

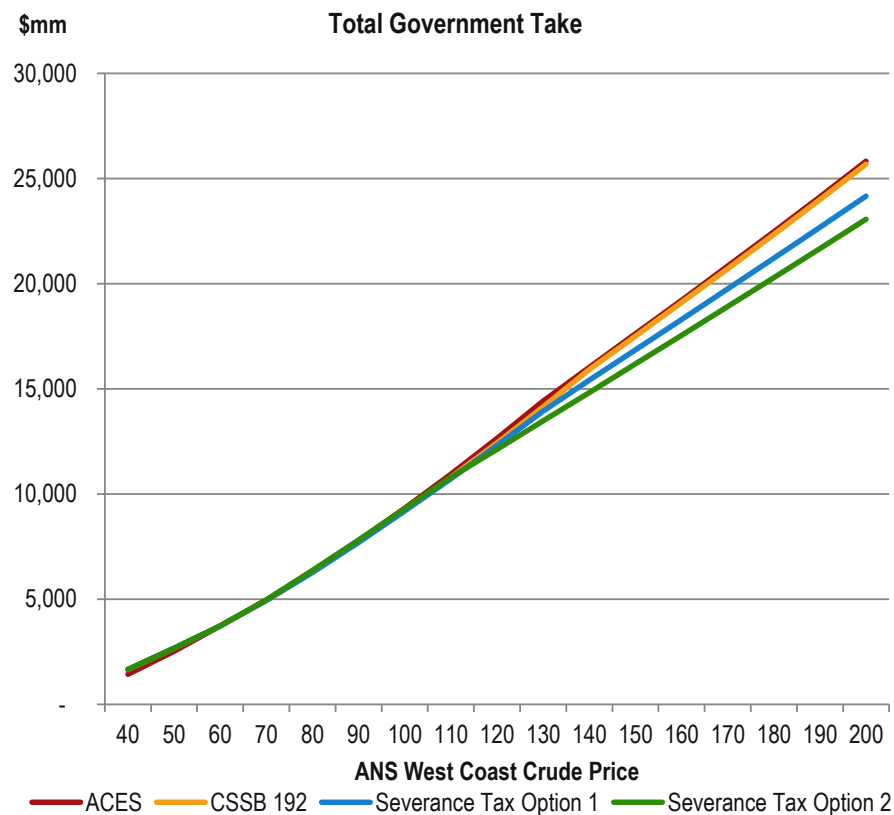
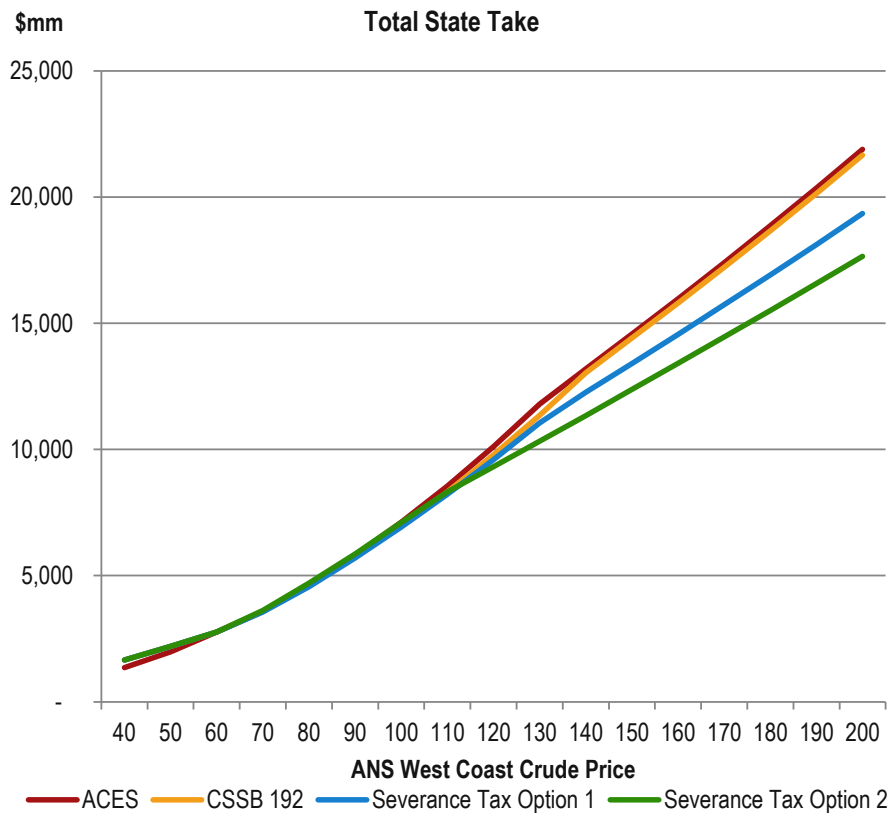


— ACES — CSSB 192 — Severance Tax Option 1 — Severance Tax Option 2



— ACES — CSSB 192 — Severance Tax Option 1 — Severance Tax Option 2

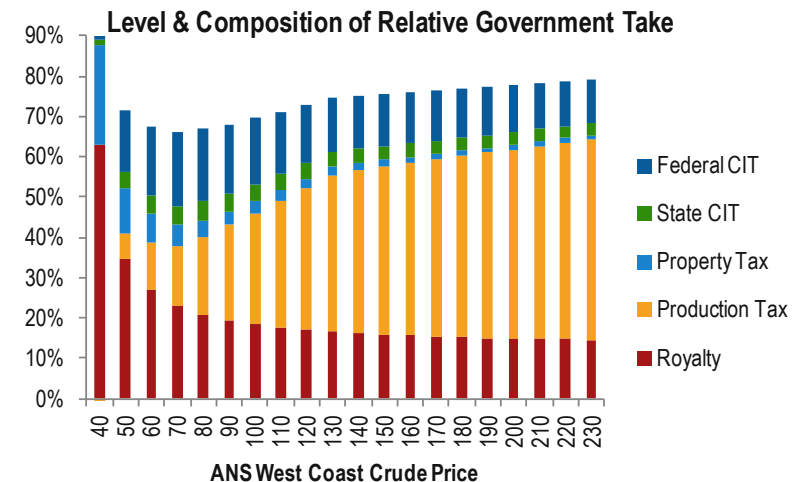
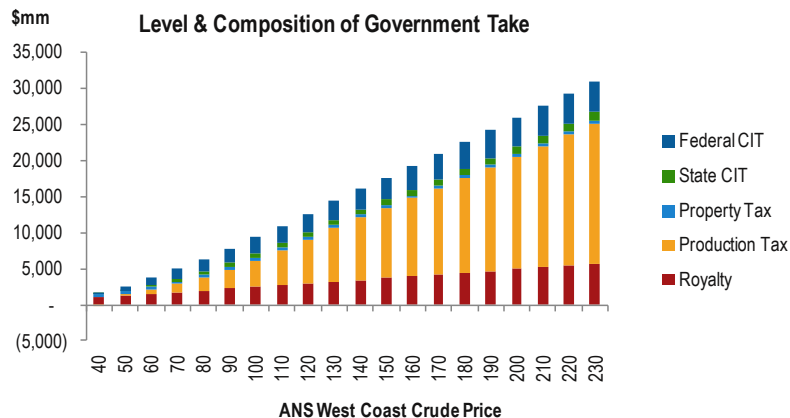
# FY 2013 Revenue Comparison



# ACES (FY 2013)

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	986	(39)	386	20	1,352	75	1,427
50	1,232	222	386	143	1,983	544	2,527
60	1,479	653	386	251	2,769	959	3,728
70	1,725	1,109	386	358	3,577	1,366	4,943
80	1,971	1,831	386	442	4,631	1,687	6,318
90	2,218	2,692	386	515	5,811	1,964	7,775
100	2,464	3,691	386	576	7,117	2,197	9,314
110	2,711	4,827	386	625	8,549	2,386	10,935
120	2,957	6,102	386	663	10,108	2,530	12,638
130	3,204	7,515	386	689	11,794	2,630	14,424
140	3,450	8,614	386	742	13,192	2,831	16,023
150	3,696	9,684	386	797	14,563	3,041	17,604
160	3,943	10,787	386	849	15,965	3,240	19,205
170	4,189	11,925	386	898	17,399	3,428	20,827
180	4,436	13,098	386	945	18,864	3,605	22,470
190	4,682	14,305	386	988	20,361	3,771	24,133
200	4,929	15,546	386	1,029	21,890	3,926	25,816
210	5,175	16,822	386	1,066	23,450	4,070	27,520
220	5,421	18,133	386	1,101	25,042	4,203	29,245
230	5,668	19,478	386	1,133	26,665	4,325	30,990

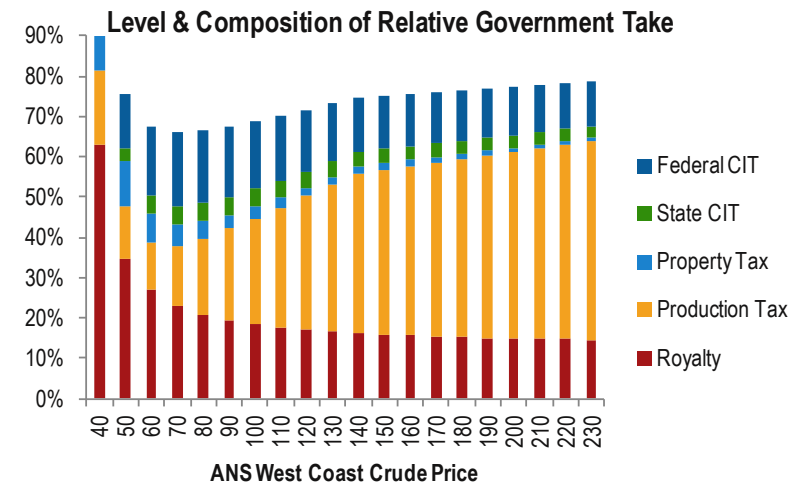
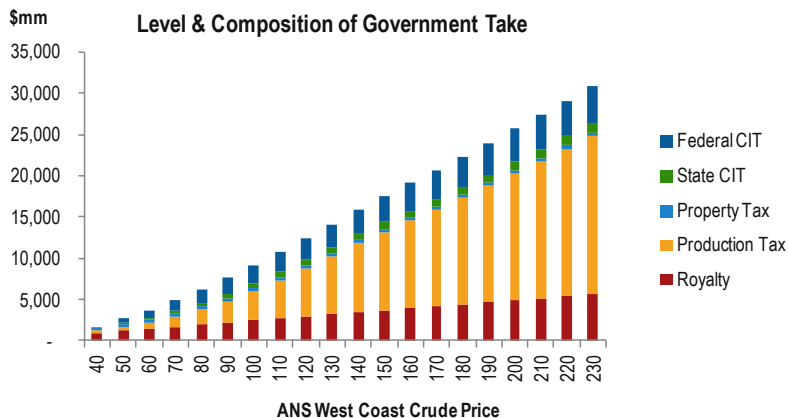
Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	-3%	25%	1%	86%	5%	91%
50	35%	6%	11%	4%	56%	15%	71%
60	27%	12%	7%	5%	50%	17%	68%
70	23%	15%	5%	5%	48%	18%	66%
80	21%	19%	4%	5%	49%	18%	67%
90	19%	24%	3%	5%	51%	17%	68%
100	18%	28%	3%	4%	53%	16%	70%
110	18%	31%	3%	4%	56%	16%	71%
120	17%	35%	2%	4%	58%	15%	73%
130	17%	39%	2%	4%	61%	14%	75%
140	16%	40%	2%	3%	62%	13%	75%
150	16%	42%	2%	3%	63%	13%	76%
160	16%	43%	2%	3%	63%	13%	76%
170	15%	44%	1%	3%	64%	13%	77%
180	15%	45%	1%	3%	65%	12%	77%
190	15%	46%	1%	3%	65%	12%	78%
200	15%	47%	1%	3%	66%	12%	78%
210	15%	48%	1%	3%	67%	12%	78%
220	15%	49%	1%	3%	68%	11%	79%
230	15%	50%	1%	3%	68%	11%	79%



# CSSB 192 (FY 2013)

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	986	289	386	-	1,660	-	1,660
50	1,232	461	386	122	2,202	467	2,669
60	1,479	653	386	251	2,769	959	3,728
70	1,725	1,106	386	358	3,575	1,367	4,941
80	1,971	1,792	386	445	4,595	1,700	6,294
90	2,218	2,599	386	522	5,725	1,994	7,719
100	2,464	3,527	386	589	6,966	2,250	9,216
110	2,711	4,575	386	646	8,318	2,466	10,785
120	2,957	5,744	386	693	9,781	2,645	12,425
130	3,204	7,035	386	729	11,354	2,784	14,138
140	3,450	8,445	386	756	13,037	2,885	15,922
150	3,696	9,512	386	811	14,406	3,096	17,502
160	3,943	10,601	386	865	15,794	3,300	19,094
170	4,189	11,723	386	915	17,214	3,493	20,707
180	4,436	12,880	386	963	18,665	3,675	22,340
190	4,682	14,072	386	1,008	20,148	3,846	23,994
200	4,929	15,298	386	1,050	21,662	4,006	25,668
210	5,175	16,559	386	1,089	23,209	4,155	27,363
220	5,421	17,854	386	1,125	24,786	4,293	29,079
230	5,668	19,184	386	1,158	26,396	4,419	30,815

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	18%	25%	0%	106%	0%	106%
50	35%	13%	11%	3%	62%	13%	75%
60	27%	12%	7%	5%	50%	17%	68%
70	23%	15%	5%	5%	48%	18%	66%
80	21%	19%	4%	5%	49%	18%	67%
90	19%	23%	3%	5%	50%	17%	68%
100	18%	26%	3%	4%	52%	17%	69%
110	18%	30%	3%	4%	54%	16%	70%
120	17%	33%	2%	4%	56%	15%	72%
130	17%	36%	2%	4%	59%	14%	73%
140	16%	40%	2%	4%	61%	14%	75%
150	16%	41%	2%	3%	62%	13%	75%
160	16%	42%	2%	3%	63%	13%	76%
170	15%	43%	1%	3%	63%	13%	76%
180	15%	44%	1%	3%	64%	13%	77%
190	15%	45%	1%	3%	65%	12%	77%
200	15%	46%	1%	3%	65%	12%	78%
210	15%	47%	1%	3%	66%	12%	78%
220	15%	48%	1%	3%	67%	12%	78%
230	15%	49%	1%	3%	68%	11%	79%

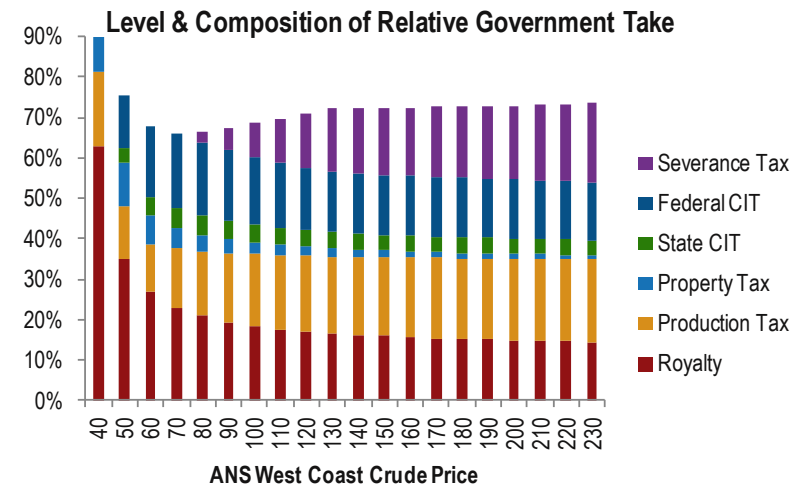
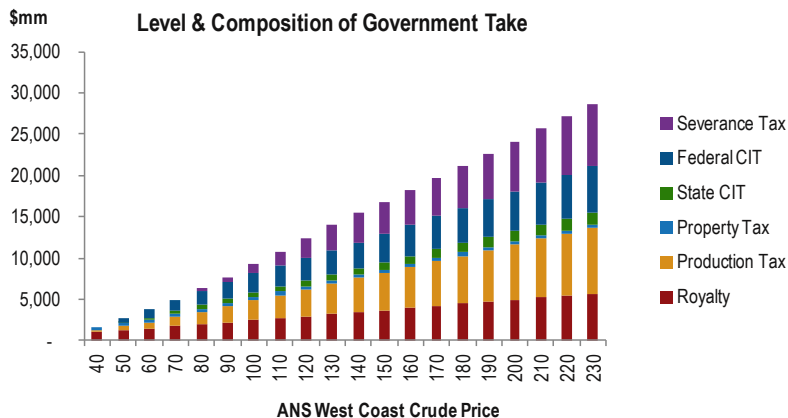


# Severance Tax – 20% Maximum (FY 2013)

.25% progressivity from \$65 to \$125, then .10% progressivity

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	986	289	386	-	1,660	-	1,660
50	1,232	461	386	122	2,202	467	2,669
60	1,479	653	386	251	2,769	959	3,728
70	1,725	1,084	386	360	3,555	1,373	4,929
80	1,971	1,754	386	449	4,560	1,712	6,272
90	2,218	2,571	386	525	5,699	2,003	7,703
100	2,464	3,474	386	594	6,918	2,267	9,184
110	2,711	4,463	386	656	8,215	2,502	10,718
120	2,957	5,538	386	710	9,592	2,711	12,302
130	3,204	6,700	386	758	11,047	2,891	13,939
140	3,450	7,598	386	827	12,261	3,157	15,417
150	3,696	8,417	386	903	13,402	3,447	16,849
160	3,943	9,253	386	978	14,559	3,732	18,291
170	4,189	10,106	386	1,051	15,732	4,012	19,744
180	4,436	10,977	386	1,123	16,921	4,285	21,207
190	4,682	11,864	386	1,193	18,126	4,554	22,680
200	4,929	12,769	386	1,262	19,346	4,817	24,163
210	5,175	13,692	386	1,329	20,582	5,074	25,656
220	5,421	14,631	386	1,395	21,834	5,326	27,160
230	5,668	15,588	386	1,460	23,102	5,572	28,674

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	18%	25%	0%	106%	0%	106%
50	35%	13%	11%	3%	62%	13%	75%
60	27%	12%	7%	5%	50%	17%	68%
70	23%	14%	5%	5%	48%	18%	66%
80	21%	19%	4%	5%	48%	18%	66%
90	19%	23%	3%	5%	50%	18%	67%
100	18%	26%	3%	4%	52%	17%	69%
110	18%	29%	3%	4%	53%	16%	70%
120	17%	32%	2%	4%	55%	16%	71%
130	17%	35%	2%	4%	57%	15%	72%
140	16%	36%	2%	4%	58%	15%	72%
150	16%	36%	2%	4%	58%	15%	72%
160	16%	37%	2%	4%	58%	15%	73%
170	15%	37%	1%	4%	58%	15%	73%
180	15%	38%	1%	4%	58%	15%	73%
190	15%	38%	1%	4%	58%	15%	73%
200	15%	39%	1%	4%	58%	15%	73%
210	15%	39%	1%	4%	59%	14%	73%
220	15%	39%	1%	4%	59%	14%	73%
230	15%	40%	1%	4%	59%	14%	73%

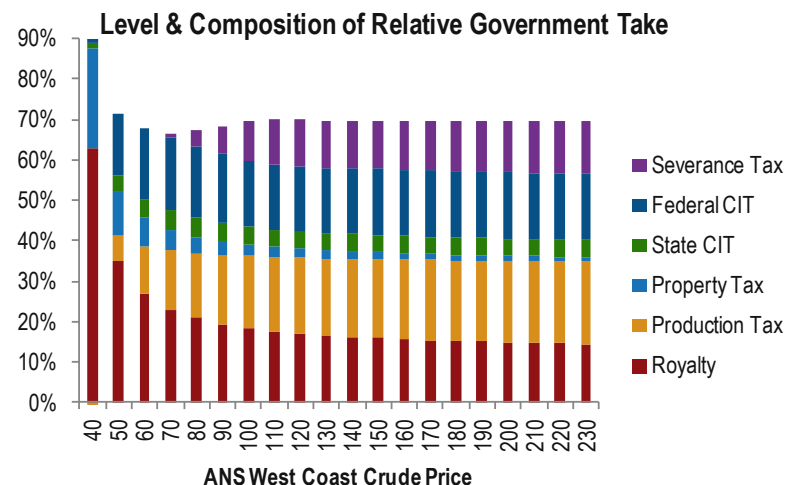
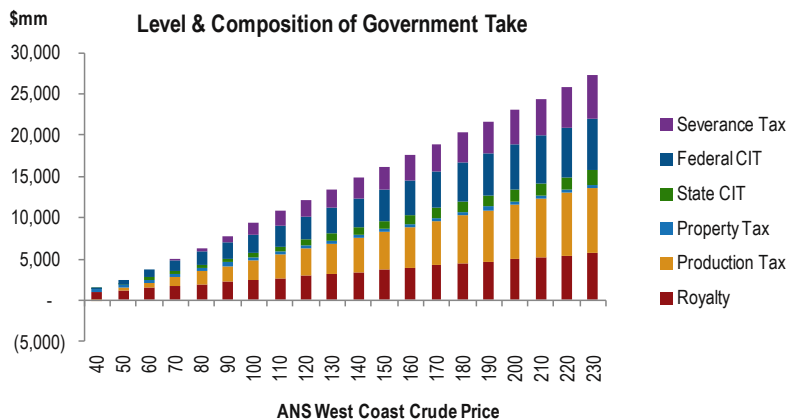


# Severance Tax – 20% Maximum (FY 2013)

.25% progressivity from \$60 to \$100, then .03% progressivity

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	986	289	386	-	1,660	-	1,660
50	1,232	461	386	122	2,202	467	2,669
60	1,479	653	386	251	2,769	959	3,728
70	1,725	1,084	386	360	3,555	1,373	4,929
80	1,971	1,754	386	449	4,560	1,712	6,272
90	2,218	2,571	386	525	5,699	2,003	7,703
100	2,464	3,474	386	594	6,918	2,267	9,184
110	2,711	4,463	386	656	8,215	2,502	10,718
120	2,957	5,538	386	710	9,592	2,711	12,302
130	3,204	6,700	386	758	11,047	2,891	13,939
140	3,450	7,598	386	827	12,261	3,157	15,417
150	3,696	8,417	386	903	13,402	3,447	16,849
160	3,943	9,253	386	978	14,559	3,732	18,291
170	4,189	10,106	386	1,051	15,732	4,012	19,744
180	4,436	10,977	386	1,123	16,921	4,285	21,207
190	4,682	11,864	386	1,193	18,126	4,554	22,680
200	4,929	12,769	386	1,262	19,346	4,817	24,163
210	5,175	13,692	386	1,329	20,582	5,074	25,656
220	5,421	14,631	386	1,395	21,834	5,326	27,160
230	5,668	15,588	386	1,460	23,102	5,572	28,674

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	63%	-3%	25%	1%	86%	-	91%
50	35%	6%	11%	4%	56%	15%	71%
60	27%	12%	7%	5%	50%	17%	68%
70	23%	15%	5%	5%	48%	18%	66%
80	21%	20%	4%	5%	50%	18%	67%
90	19%	24%	3%	4%	51%	17%	68%
100	18%	27%	3%	4%	53%	16%	69%
110	18%	30%	3%	4%	54%	16%	70%
120	17%	30%	2%	4%	54%	16%	70%
130	17%	31%	2%	4%	53%	16%	70%
140	16%	31%	2%	4%	53%	16%	70%
150	16%	31%	2%	4%	53%	16%	70%
160	16%	32%	2%	4%	53%	16%	70%
170	15%	32%	1%	4%	53%	16%	70%
180	15%	32%	1%	4%	53%	16%	70%
190	15%	33%	1%	4%	53%	16%	70%
200	15%	33%	1%	4%	53%	16%	70%
210	15%	33%	1%	4%	53%	16%	70%
220	15%	34%	1%	4%	54%	16%	70%
230	15%	34%	1%	4%	54%	16%	70%



# Incentives for New Production

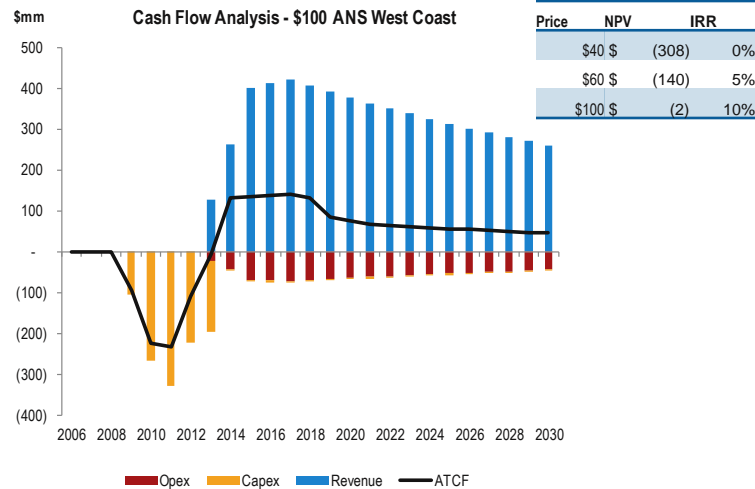
- Significant incentives can be provided to new production, by eliminating or reducing the Progressive Severance Tax (Gross) on any combination of:
  - Production from new areas
  - Production from new plans of development (determined through the regulatory process to be for “new production”)
  - Production above a fixed decline rate
- Here, a reduced rate of Progressive Severance Tax has been modeled, using the following parameters for new production:
  - Base rate of 0%
  - Progressivity of .05% commencing at a threshold of \$65 (gross value at point of production)
  - Progressivity is capped 5%
- Following slides show a new, high-cost 10 mb/d development under
  - The regular rate
  - The reduced rate (with a time limit of 7 years)
  - The reduced rate (with no time limit)

# Note on Impact of Inflation

- Under ACES, thresholds and coefficients for progressivity are specified in nominal terms, without indexation
  - As a result, when economics over the long-term rather than just 2013 are examined, we see the effects of ‘bracket creep’ or ‘stealth tax’
  - In real terms, as prices increase, thresholds for progressivity decrease, and the higher take that comes with progressivity occurs at lower and lower price levels
- Severance tax options are also currently shown assuming nominal thresholds
  - As a result, in the charts, the impact of the severance tax can be seen below the \$60/\$65 level at which it applies – a result of bracket-creep over the lifetime of a project
- It is strongly worth considering the application of price indexation to thresholds for progressivity

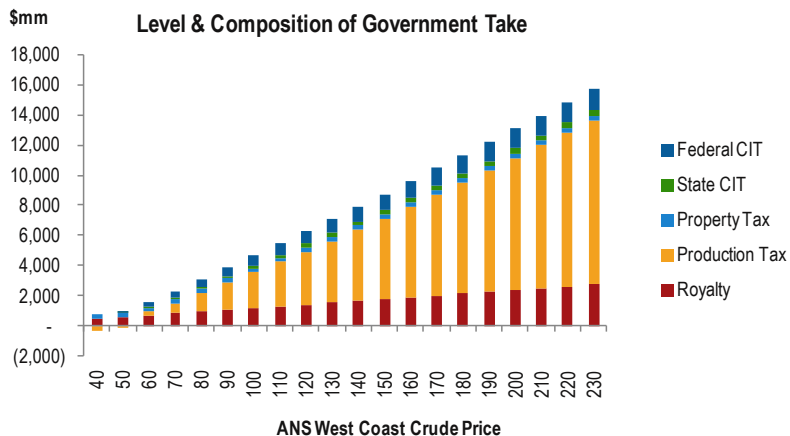
# ACES (New Development)

Cash Flow Analysis - \$100 ANS West Coast

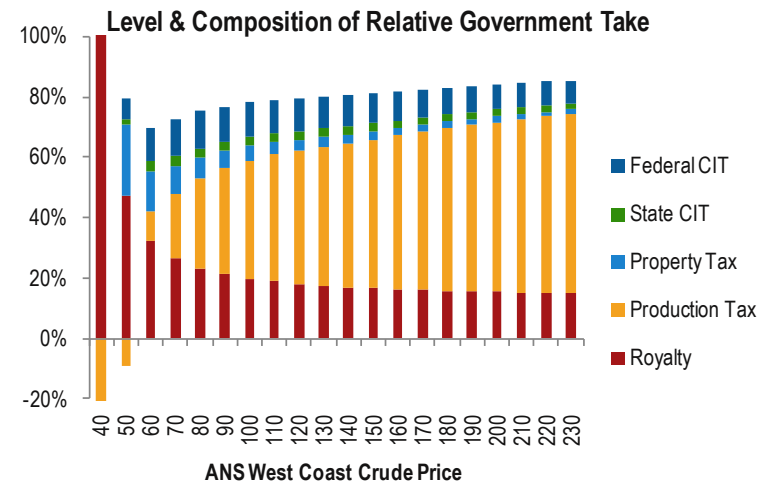


Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	156%	-114%	96%	0%	138%	0%	138%
50	47%	-9%	23%	2%	63%	7%	70%
60	32%	10%	13%	3%	58%	11%	70%
70	26%	22%	9%	3%	60%	12%	73%
80	23%	30%	7%	3%	63%	12%	75%
90	21%	35%	6%	3%	65%	12%	77%
100	20%	39%	5%	3%	67%	11%	78%
110	19%	42%	4%	3%	68%	11%	79%
120	18%	44%	4%	3%	69%	11%	80%
130	17%	46%	3%	3%	69%	11%	80%
140	17%	48%	3%	3%	70%	11%	81%
150	17%	49%	3%	3%	71%	10%	81%
160	16%	51%	2%	3%	72%	10%	82%
170	16%	52%	2%	2%	73%	9%	83%
180	16%	54%	2%	2%	74%	9%	83%
190	16%	55%	2%	2%	75%	9%	84%
200	15%	56%	2%	2%	76%	8%	84%
210	15%	57%	2%	2%	76%	8%	85%
220	15%	58%	2%	2%	77%	8%	85%
230	15%	59%	2%	2%	78%	8%	85%

Level & Composition of Government Take

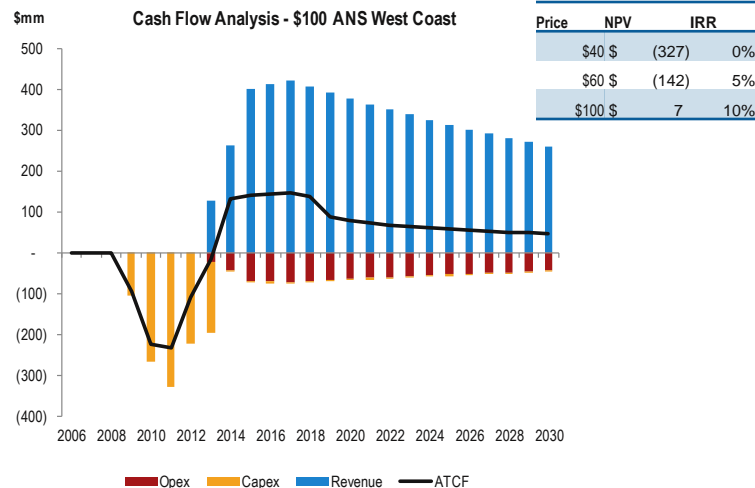


Level & Composition of Relative Government Take



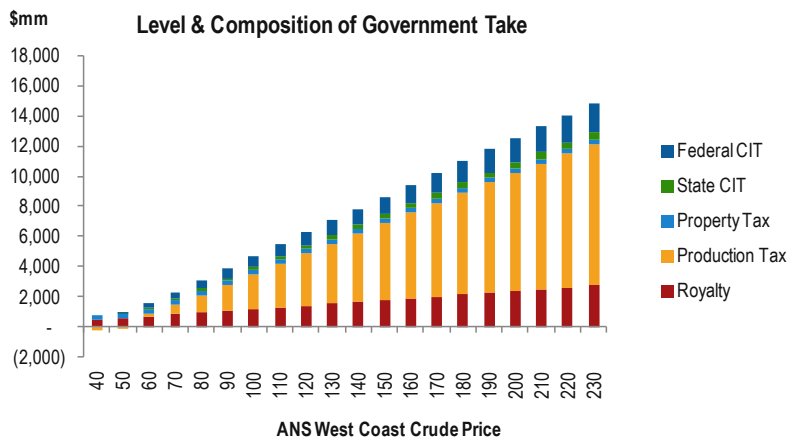
# CSSB 192 (New Development)

Cash Flow Analysis - \$100 ANS West Coast

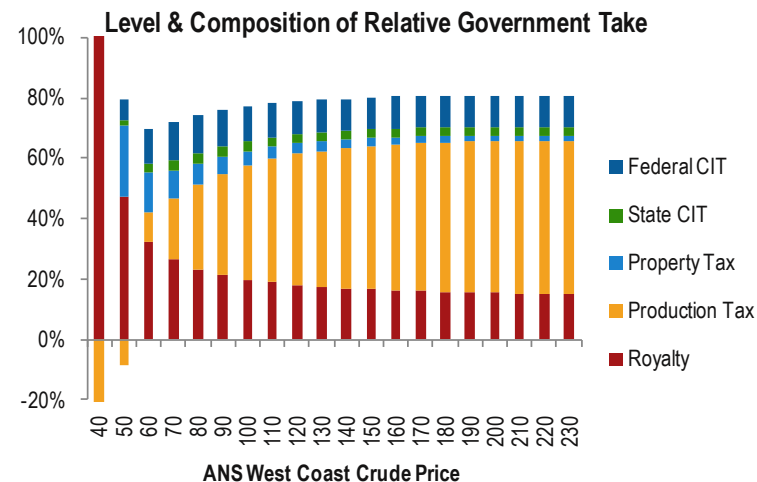


Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	156%	-81%	96%	0%	170%	0%	170%
50	47%	-9%	23%	2%	64%	7%	70%
60	32%	9%	13%	3%	58%	12%	70%
70	26%	20%	9%	3%	59%	13%	72%
80	23%	28%	7%	3%	62%	13%	74%
90	21%	34%	6%	3%	64%	12%	76%
100	20%	38%	5%	3%	65%	12%	77%
110	19%	41%	4%	3%	67%	11%	78%
120	18%	43%	4%	3%	68%	11%	79%
130	17%	45%	3%	3%	69%	11%	80%
140	17%	46%	3%	3%	69%	11%	80%
150	17%	47%	3%	3%	69%	11%	80%
160	16%	48%	2%	3%	70%	11%	80%
170	16%	49%	2%	3%	70%	10%	80%
180	16%	50%	2%	3%	70%	10%	81%
190	16%	50%	2%	3%	70%	10%	81%
200	15%	50%	2%	3%	70%	10%	81%
210	15%	51%	2%	3%	70%	10%	81%
220	15%	51%	2%	3%	70%	10%	80%
230	15%	51%	2%	3%	70%	10%	80%

Level & Composition of Government Take



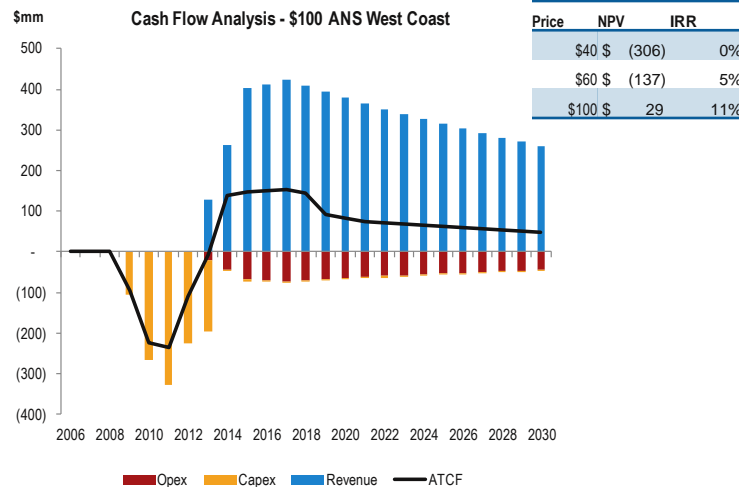
Level & Composition of Relative Government Take



# Severance Tax – 20% Maximum (New Producer)

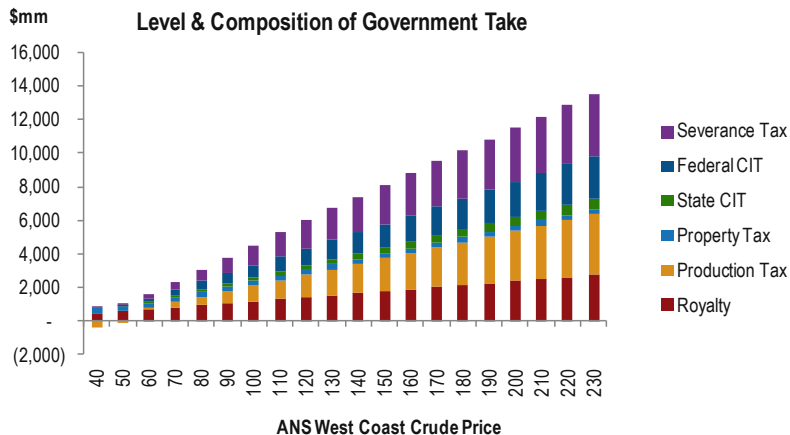
.25% progressivity from \$65 to \$125, then .10% progressivity

Cash Flow Analysis - \$100 ANS West Coast

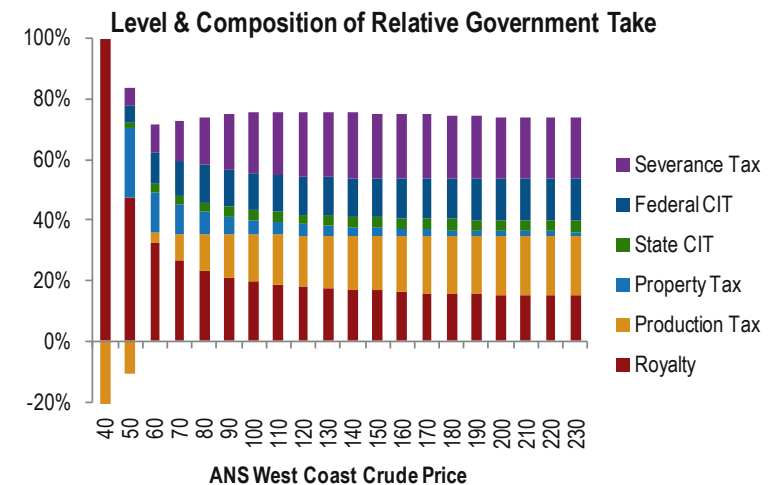


Price	Royalty	Severance Tax	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	156%	4%	-115%	96%	0%	140%	0%	140%
50	47%	6%	-11%	23%	1%	67%	6%	73%
60	32%	9%	3%	13%	3%	61%	10%	71%
70	26%	13%	9%	9%	3%	61%	12%	73%
80	23%	16%	12%	7%	3%	62%	12%	74%
90	21%	18%	14%	6%	3%	63%	12%	75%
100	20%	20%	15%	5%	3%	63%	12%	75%
110	19%	21%	16%	4%	3%	63%	13%	76%
120	18%	21%	17%	4%	3%	63%	13%	76%
130	17%	22%	17%	3%	3%	63%	13%	76%
140	17%	22%	18%	3%	3%	63%	13%	75%
150	17%	22%	18%	3%	3%	62%	13%	75%
160	16%	21%	18%	2%	3%	62%	13%	75%
170	16%	21%	19%	2%	3%	62%	13%	75%
180	16%	21%	19%	2%	4%	61%	13%	75%
190	16%	21%	19%	2%	4%	61%	13%	74%
200	15%	21%	19%	2%	4%	60%	13%	74%
210	15%	20%	19%	2%	4%	60%	14%	74%
220	15%	20%	19%	2%	4%	60%	14%	74%
230	15%	20%	20%	2%	4%	60%	14%	74%

Level & Composition of Government Take

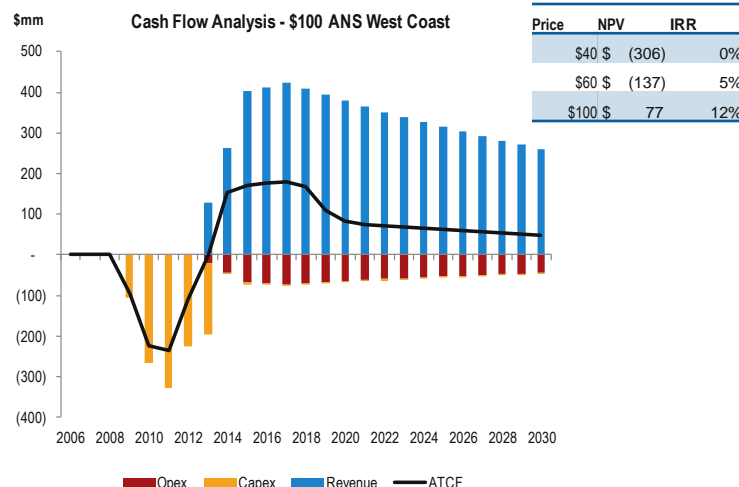


Level & Composition of Relative Government Take



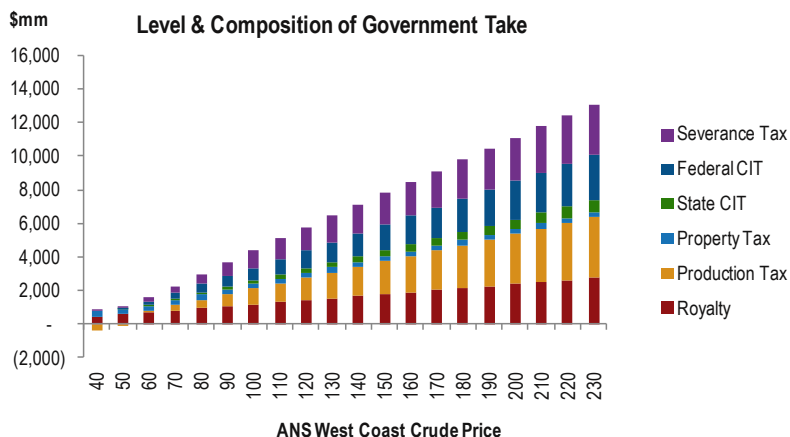
# Severance Tax – 20% Maximum with first 7 years at 5% (New Producer) .25% progressivity from \$65 to \$125, then .10% progressivity

Cash Flow Analysis - \$100 ANS West Coast

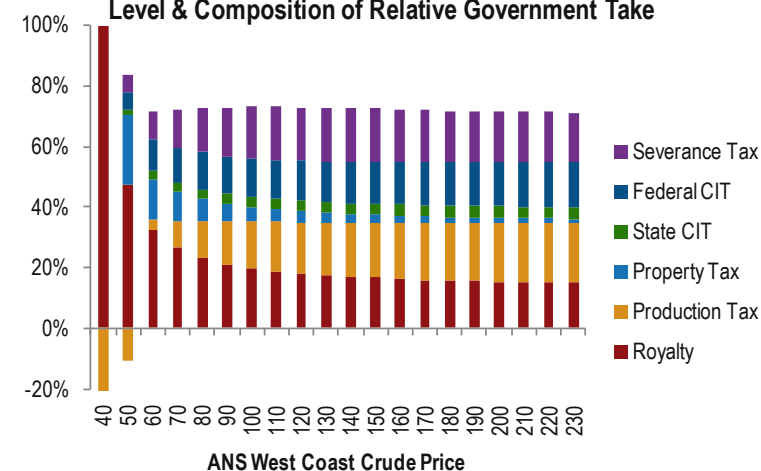


Price	Royalty	Severance Tax	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	156%	4%	-115%	96%	0%	140%	0%	140%
50	47%	6%	-11%	23%	1%	67%	6%	73%
60	32%	9%	3%	13%	3%	61%	10%	71%
70	26%	12%	9%	9%	3%	60%	12%	72%
80	23%	15%	12%	7%	3%	60%	12%	73%
90	21%	16%	14%	6%	3%	61%	12%	73%
100	20%	17%	15%	5%	3%	60%	13%	73%
110	19%	18%	16%	4%	3%	60%	13%	73%
120	18%	18%	17%	4%	3%	60%	13%	73%
130	17%	18%	17%	3%	4%	59%	13%	73%
140	17%	18%	18%	3%	4%	59%	14%	73%
150	17%	18%	18%	3%	4%	59%	14%	72%
160	16%	17%	18%	2%	4%	58%	14%	72%
170	16%	17%	19%	2%	4%	58%	14%	72%
180	16%	17%	19%	2%	4%	57%	14%	72%
190	16%	17%	19%	2%	4%	57%	14%	71%
200	15%	17%	19%	2%	4%	57%	15%	71%
210	15%	16%	19%	2%	4%	57%	15%	71%
220	15%	16%	19%	2%	4%	56%	15%	71%
230	15%	16%	20%	2%	4%	56%	15%	71%

Level & Composition of Government Take



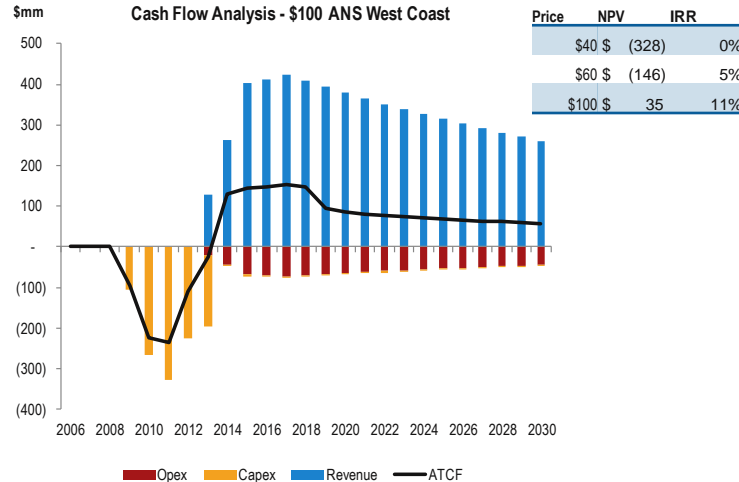
Level & Composition of Relative Government Take



# Severance Tax - 20% maximum (New Development)

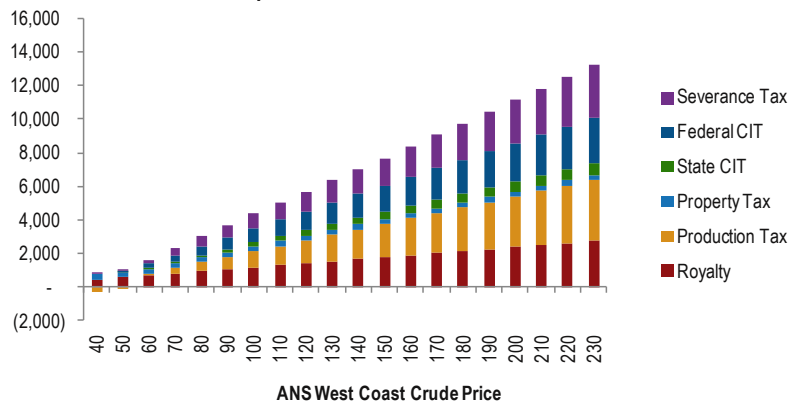
.25% progressivity from \$60 to \$100, then .03% progressivity

Cash Flow Analysis - \$100 ANS West Coast

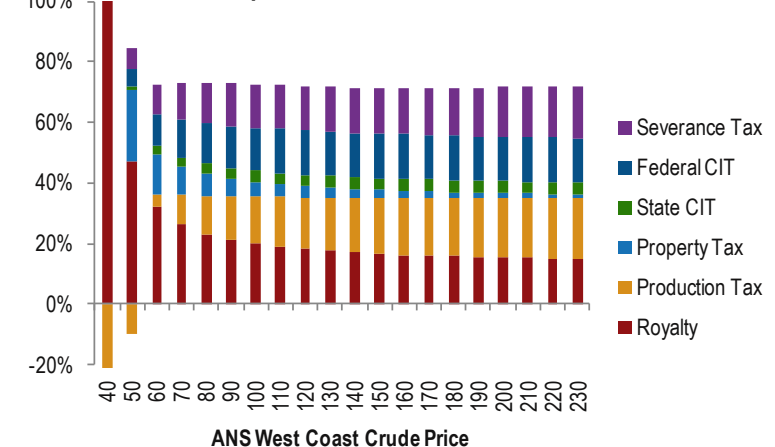


Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	156%	-81%	96%	0%	170%	0%	177%
50	47%	-10%	23%	1%	62%	5%	75%
60	32%	4%	13%	3%	52%	10%	72%
70	26%	10%	9%	3%	48%	12%	73%
80	23%	13%	7%	3%	46%	13%	73%
90	21%	15%	6%	4%	45%	14%	73%
100	20%	16%	5%	4%	44%	14%	73%
110	19%	17%	4%	4%	43%	14%	72%
120	18%	17%	4%	4%	43%	15%	72%
130	17%	18%	3%	4%	42%	15%	72%
140	17%	18%	3%	4%	42%	15%	71%
150	17%	18%	3%	4%	42%	15%	71%
160	16%	19%	2%	4%	41%	15%	72%
170	16%	19%	2%	4%	41%	15%	71%
180	16%	19%	2%	4%	41%	15%	71%
190	16%	19%	2%	4%	41%	15%	71%
200	15%	19%	2%	4%	40%	15%	72%
210	15%	20%	2%	4%	40%	15%	72%
220	15%	20%	2%	4%	40%	15%	72%
230	15%	20%	2%	4%	40%	15%	72%

Level & Composition of Government Take

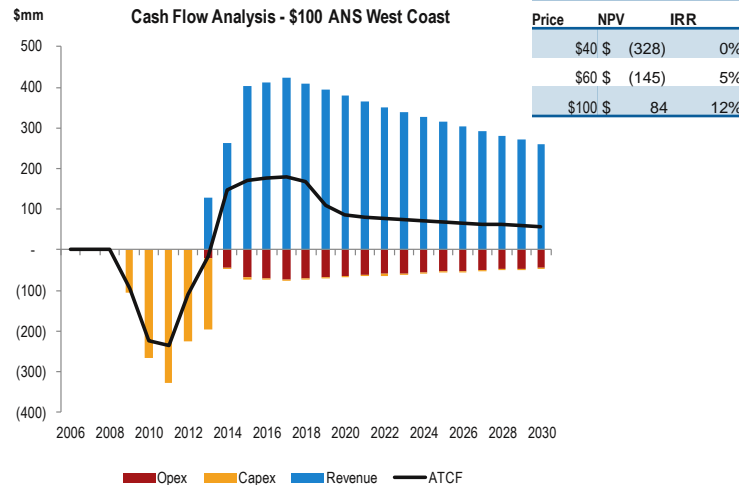


Level & Composition of Relative Government Take



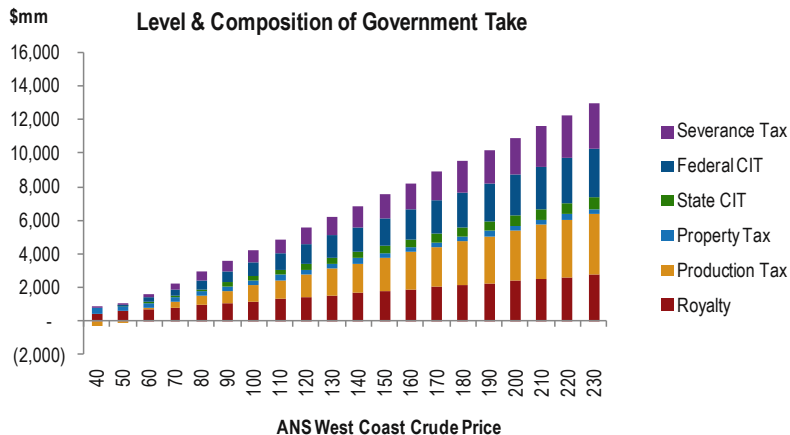
# Severance Tax – 20% Maximum with first 7 years at 5% (New Producer) .25% progressivity from \$60 to \$100, then .03% progressivity

Cash Flow Analysis - \$100 ANS West Coast

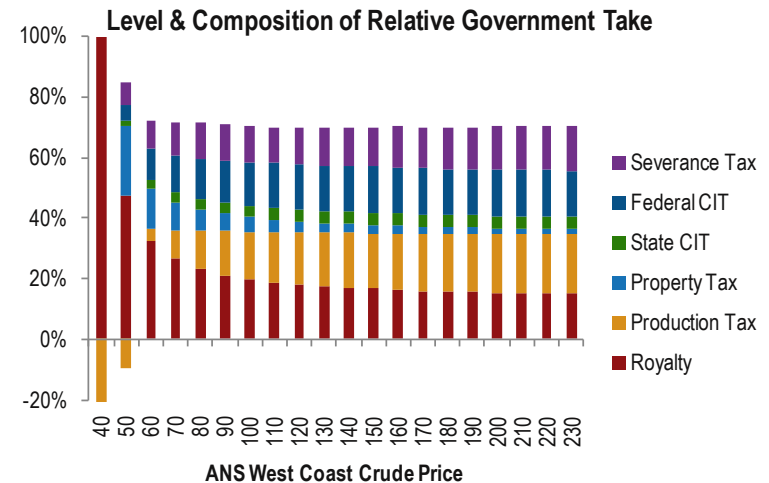


Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	156%	-81%	96%	0%	170%	0%	177%
50	47%	-10%	23%	1%	62%	5%	75%
60	32%	4%	13%	3%	52%	10%	72%
70	26%	10%	9%	3%	48%	12%	72%
80	23%	13%	7%	3%	46%	13%	71%
90	21%	15%	6%	4%	45%	14%	71%
100	20%	16%	5%	4%	44%	14%	70%
110	19%	17%	4%	4%	43%	15%	70%
120	18%	17%	4%	4%	43%	15%	70%
130	17%	18%	3%	4%	42%	15%	70%
140	17%	18%	3%	4%	42%	15%	70%
150	17%	18%	3%	4%	42%	15%	70%
160	16%	19%	2%	4%	41%	15%	70%
170	16%	19%	2%	4%	41%	15%	70%
180	16%	19%	2%	4%	41%	15%	70%
190	16%	19%	2%	4%	41%	15%	70%
200	15%	19%	2%	4%	41%	15%	70%
210	15%	20%	2%	4%	41%	15%	70%
220	15%	20%	2%	4%	40%	15%	70%
230	15%	20%	2%	4%	40%	15%	70%

Level & Composition of Government Take

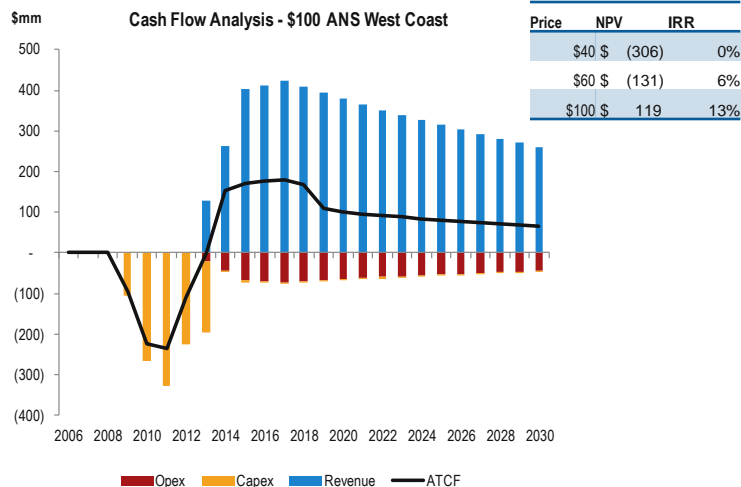


Level & Composition of Relative Government Take



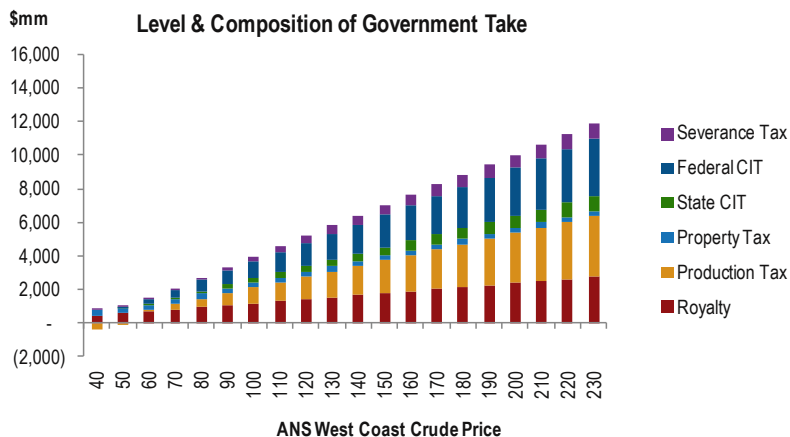
# Severance Tax – 5% Maximum (New Producer)

Cash Flow Analysis - \$100 ANS West Coast

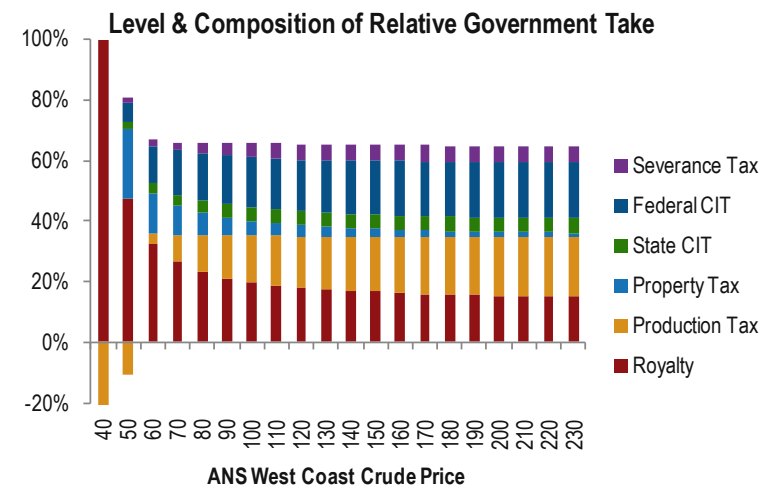


Price	Royalty	Severance Tax	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	156%	1%	-115%	96%	0%	137%	0%	137%
50	47%	1%	-11%	23%	2%	63%	7%	69%
60	32%	2%	3%	13%	3%	54%	13%	67%
70	26%	3%	9%	9%	4%	51%	15%	66%
80	23%	4%	12%	7%	4%	50%	16%	66%
90	21%	4%	14%	6%	4%	49%	16%	66%
100	20%	5%	15%	5%	4%	49%	17%	66%
110	19%	5%	16%	4%	4%	49%	17%	66%
120	18%	5%	17%	4%	5%	48%	17%	65%
130	17%	5%	17%	3%	5%	48%	17%	65%
140	17%	5%	18%	3%	5%	48%	17%	65%
150	17%	5%	18%	3%	5%	47%	18%	65%
160	16%	5%	18%	2%	5%	47%	18%	65%
170	16%	5%	19%	2%	5%	47%	18%	65%
180	16%	5%	19%	2%	5%	47%	18%	65%
190	16%	5%	19%	2%	5%	46%	18%	65%
200	15%	5%	19%	2%	5%	46%	18%	65%
210	15%	5%	19%	2%	5%	46%	18%	65%
220	15%	5%	19%	2%	5%	46%	18%	65%
230	15%	5%	20%	2%	5%	46%	19%	64%

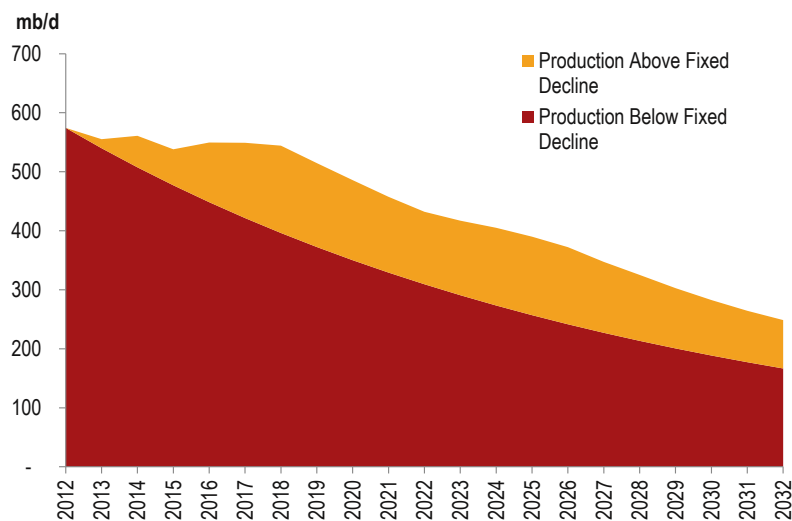
Level & Composition of Government Take



Level & Composition of Relative Government Take



# 20 Year Revenue Impact of Reduced Rate for New Production (Using Severance Tax Option 1)



20 Year NPV of Cash Flows - Severance Option 1

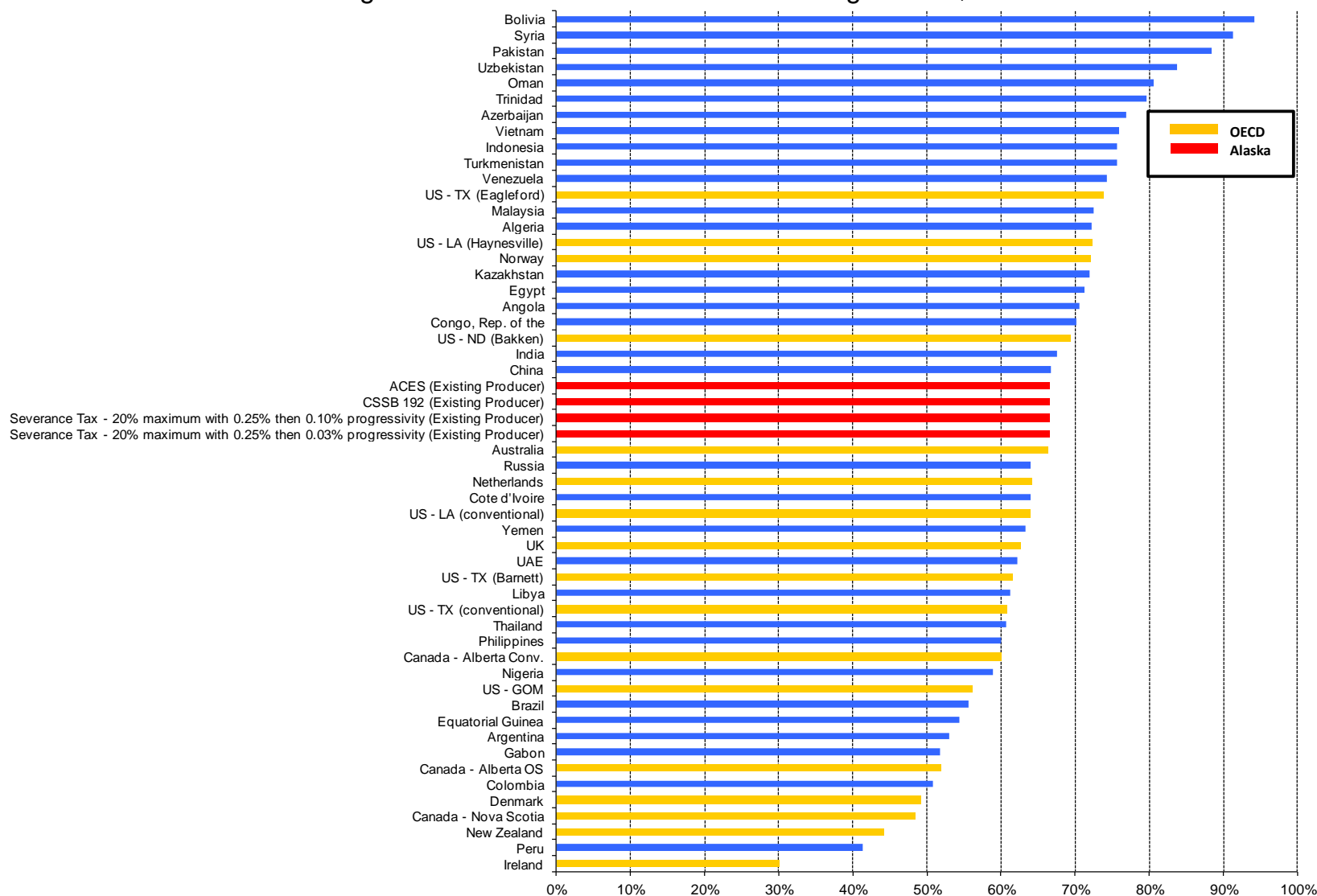
	Production Tax		Total State Take		Total Government Tak		Cash to Companies	
	High Rate Only	Reduced Rate for New Production	High Rate Only	Reduced Rate for New Production	High Rate Only	Reduced Rate for New Production	High Rate Only	Reduced Rate for New Production
40	2,397	2,397	18,074	18,074	22,497	22,497	7,800	7,800
50	5,155	5,127	25,267	25,241	35,402	35,385	18,407	18,424
60	10,952	10,718	35,245	35,030	50,117	49,978	27,205	27,345
70	18,969	18,227	47,256	46,576	66,154	65,712	34,682	35,124
80	29,238	27,781	61,330	59,995	83,532	82,664	40,817	41,685
90	40,501	38,236	76,314	74,239	101,501	100,152	46,361	47,709
100	52,361	49,303	91,845	89,044	119,825	118,005	51,550	53,370
110	64,411	60,646	107,550	104,101	138,263	136,022	56,625	58,866
120	76,124	71,799	122,946	118,985	156,501	153,926	61,900	64,475
130	86,904	82,096	137,488	133,084	174,182	171,320	67,732	70,595
140	97,030	91,691	151,431	146,540	191,475	188,296	73,952	77,131
150	107,336	101,401	165,539	160,102	208,875	205,341	80,066	83,599

20 Year NPV of Cash Flows - Severance Option 2

	Production Tax		Total State Take		Total Government Tak		Cash to Companies	
	High Rate Only	Reduced Rate for New Production	High Rate Only	Reduced Rate for New Production	High Rate Only	Reduced Rate for New Production	High Rate Only	Reduced Rate for New Production
40	2,397	2,397	18,074	18,074	22,497	22,497	7,800	7,800
50	5,323	5,257	25,421	25,361	35,502	35,463	18,307	18,346
60	11,634	11,269	35,870	35,536	50,523	50,306	26,799	27,016
70	20,482	19,563	48,641	47,800	67,055	66,507	33,781	34,328
80	30,396	28,904	62,391	61,024	84,221	83,333	40,128	41,016
90	40,472	38,512	76,287	74,492	101,484	100,317	46,378	47,545
100	49,999	47,776	89,681	87,645	118,419	117,095	52,956	54,280
110	58,364	55,970	102,011	99,818	134,663	133,238	60,225	61,650
120	66,563	63,978	114,188	111,820	150,808	149,269	67,593	69,132
130	74,910	72,095	126,501	123,924	167,041	165,365	74,873	76,549
140	83,405	80,307	138,951	136,113	183,363	181,518	82,065	83,909
150	92,050	88,595	151,537	148,372	199,773	197,716	89,167	91,224

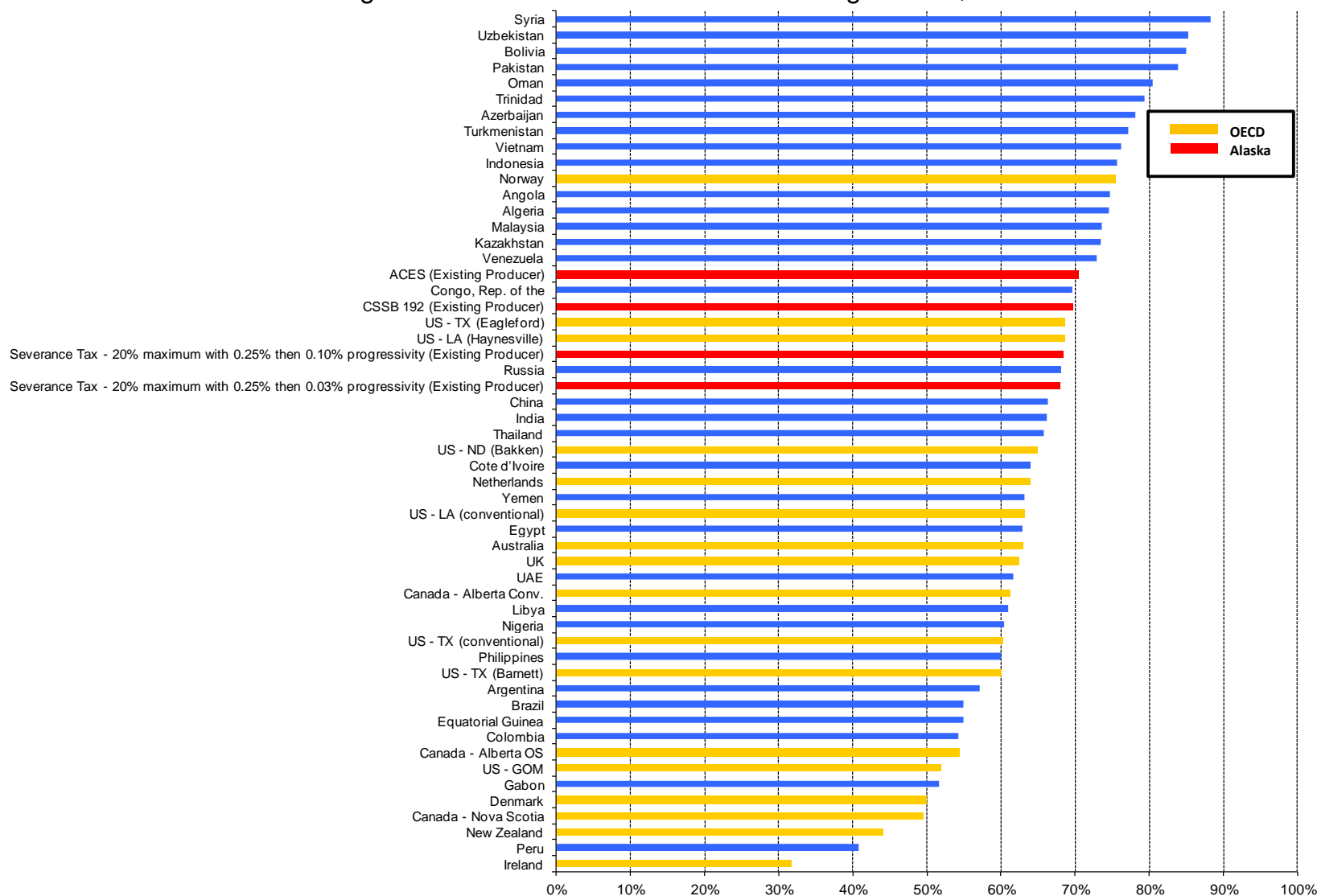
# Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at \$60/bbl



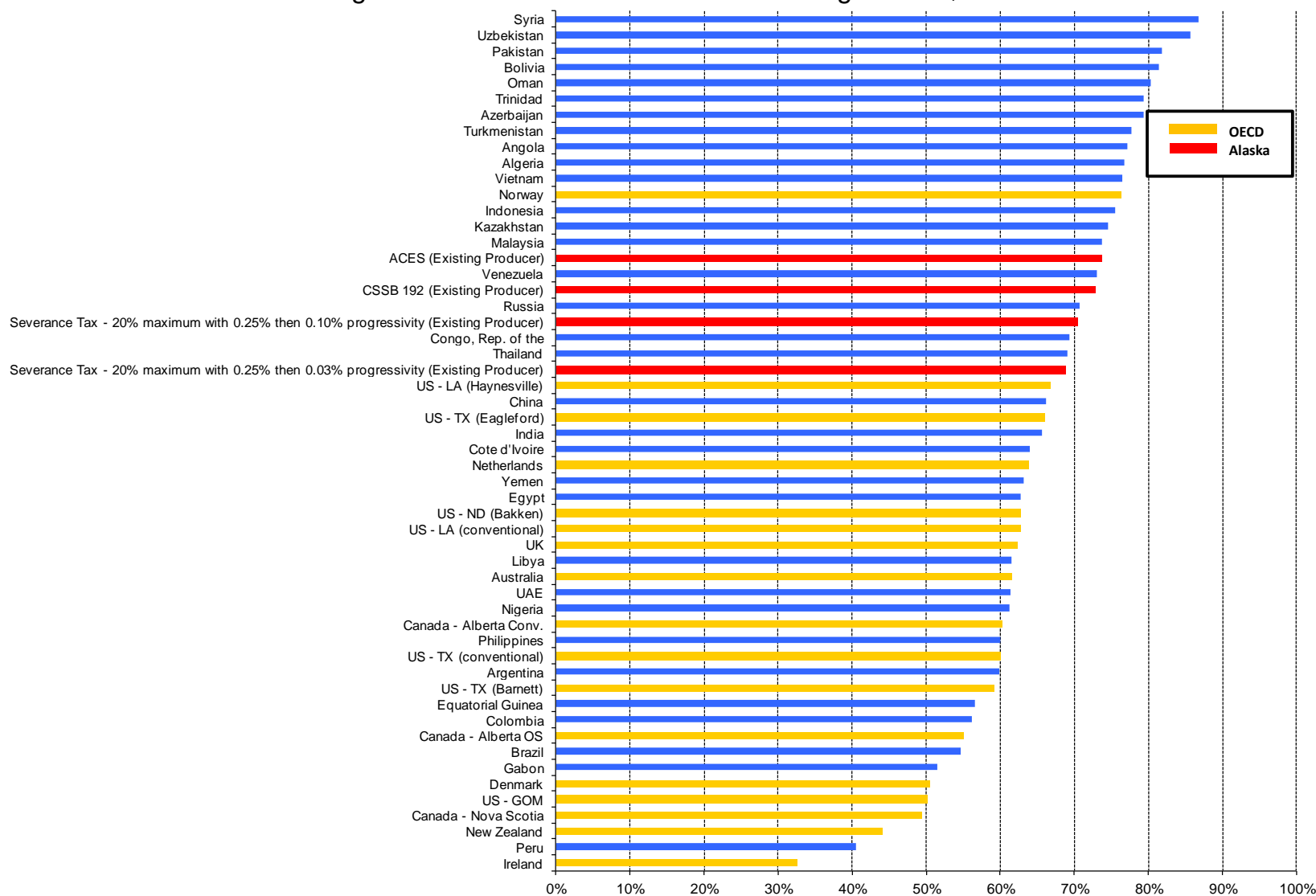
# Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at \$80/bbl



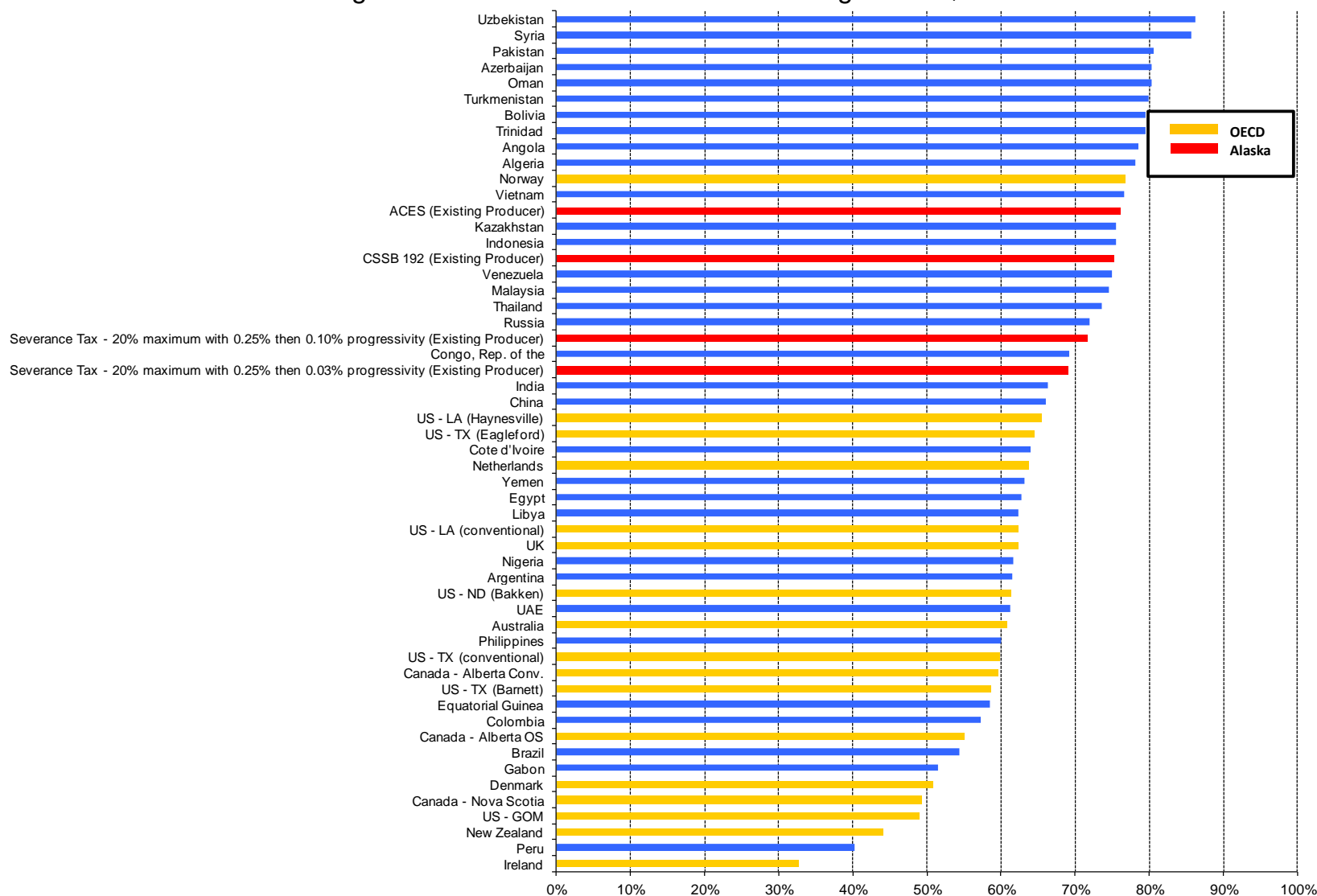
# Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at \$100/bbl



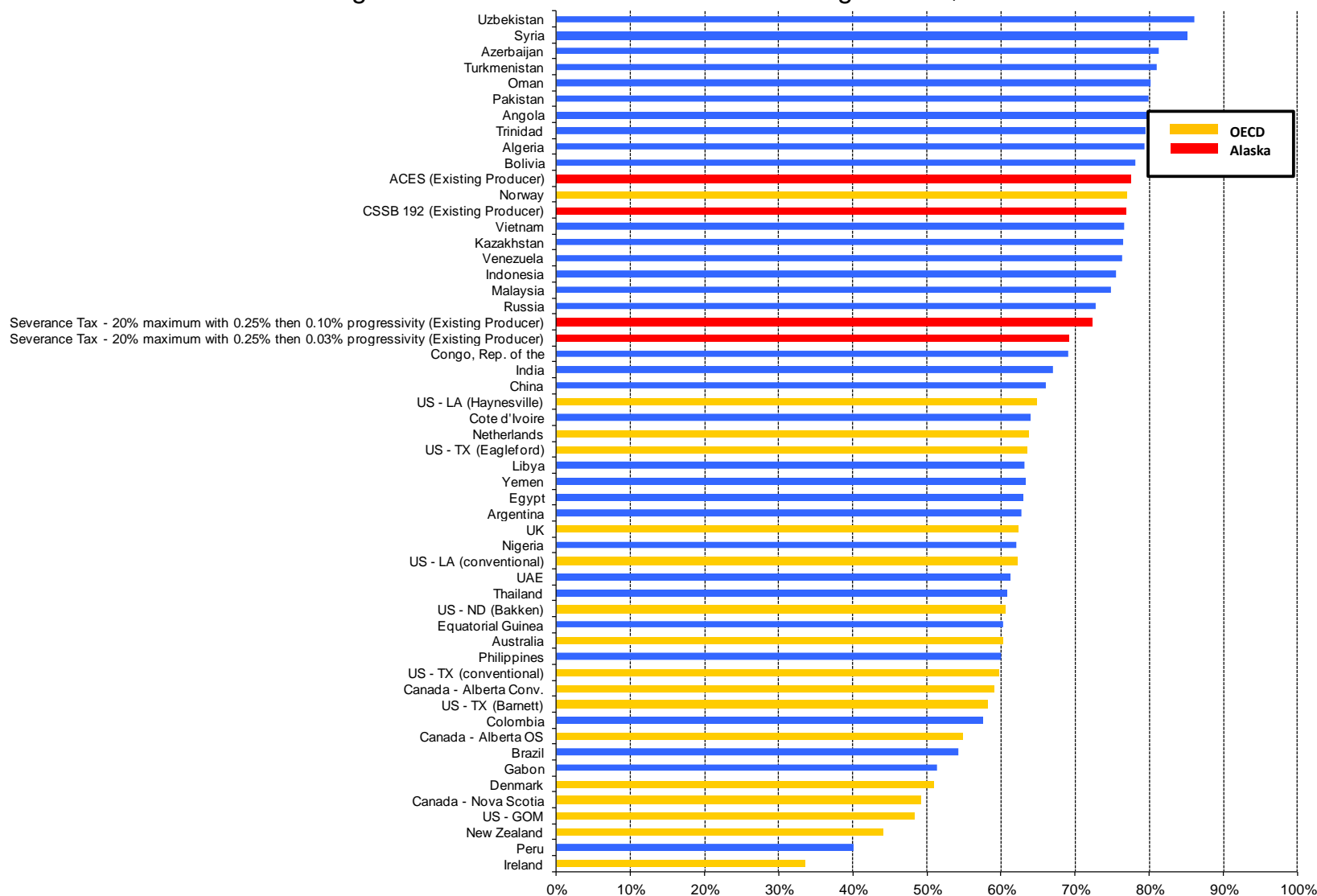
# Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at \$120/bbl



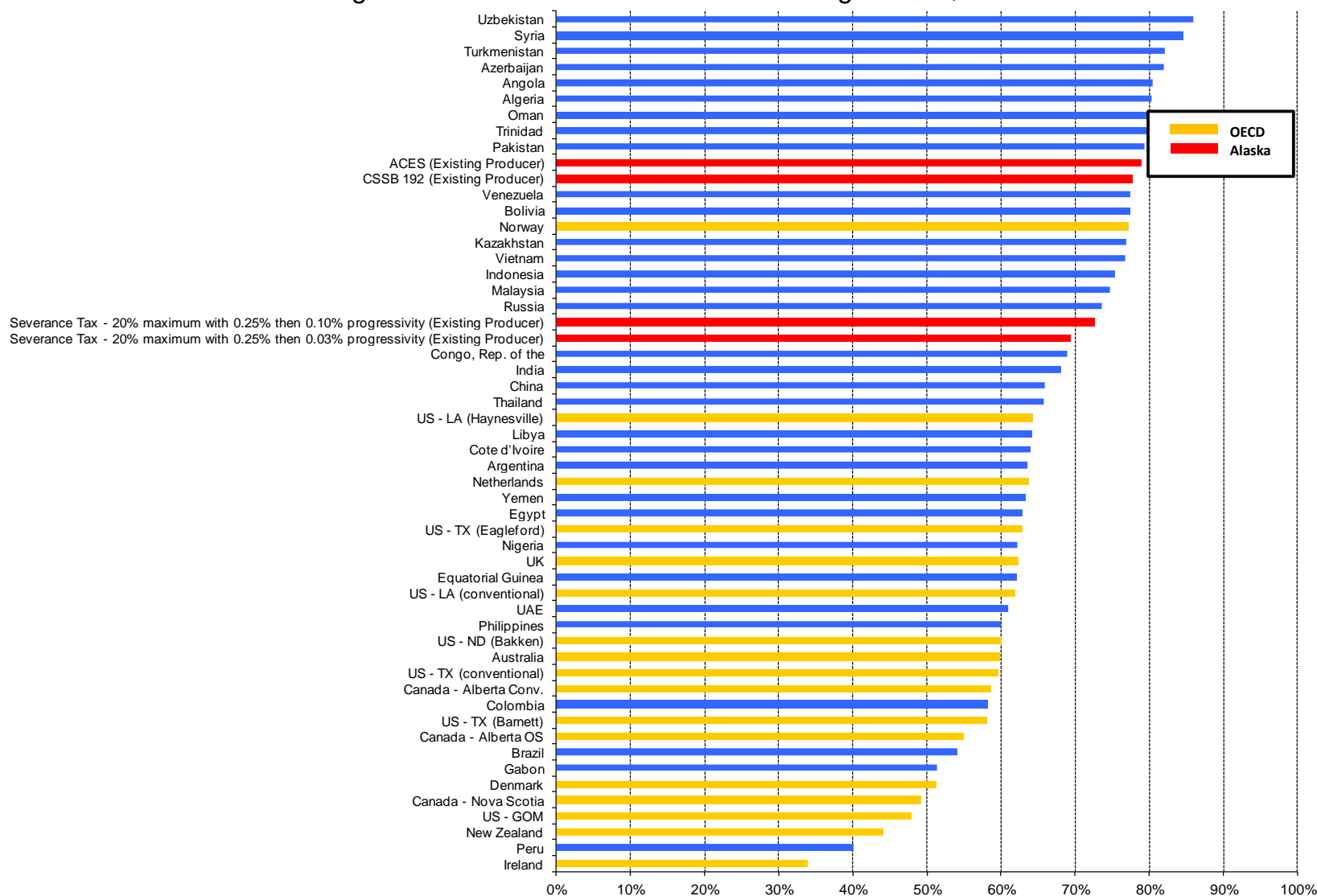
# Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at \$140/bbl



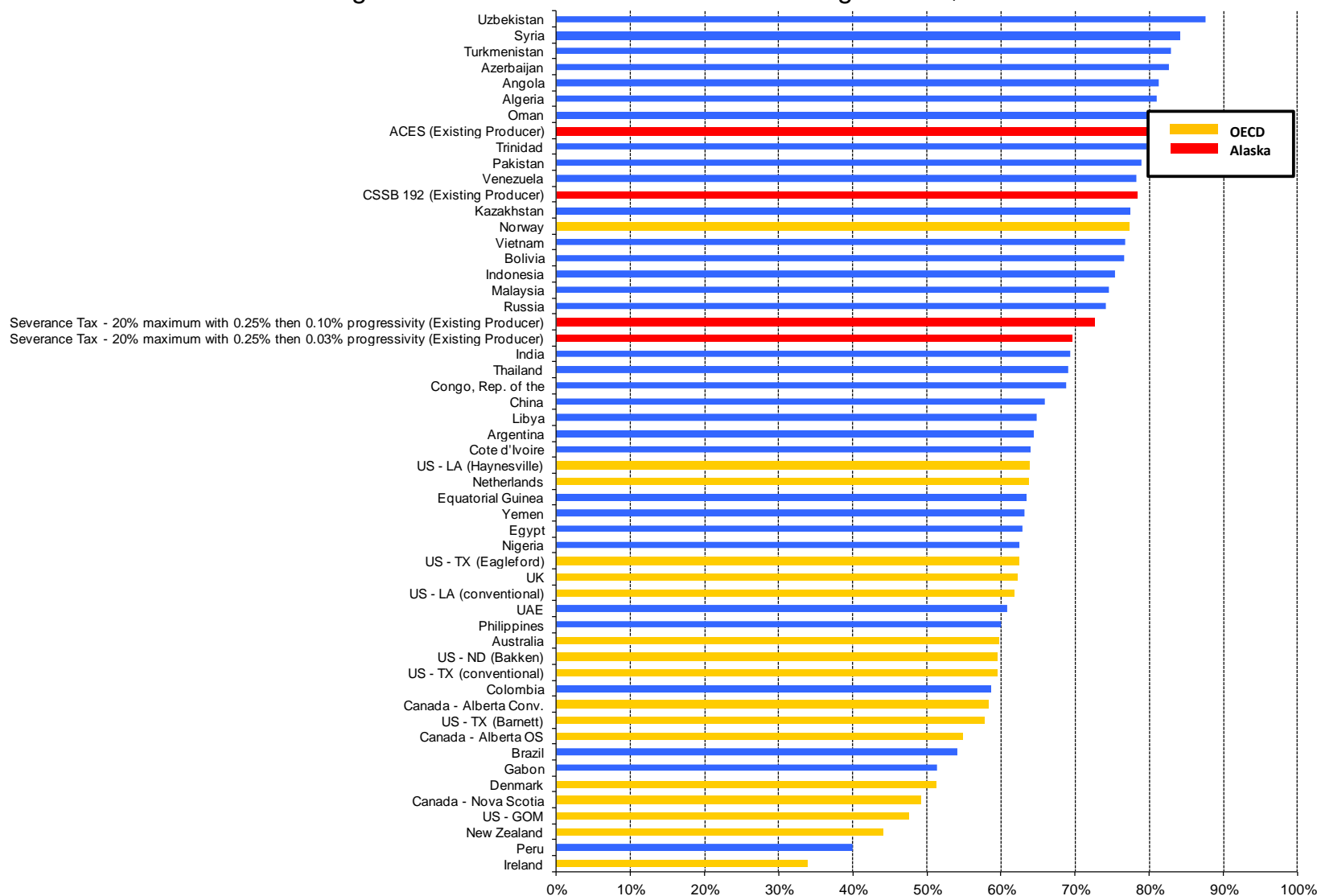
# Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at \$160/bbl



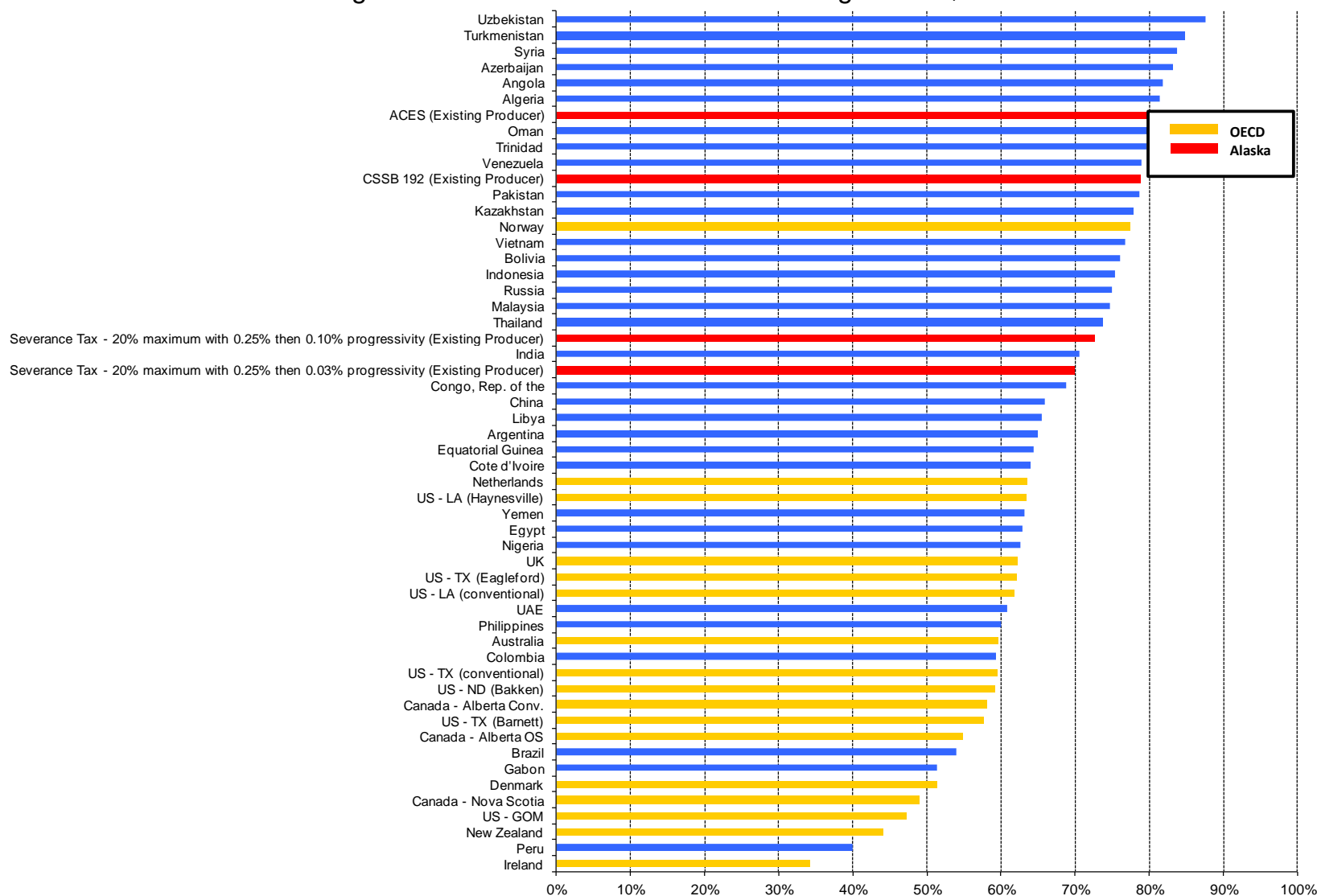
# Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at \$180/bbl



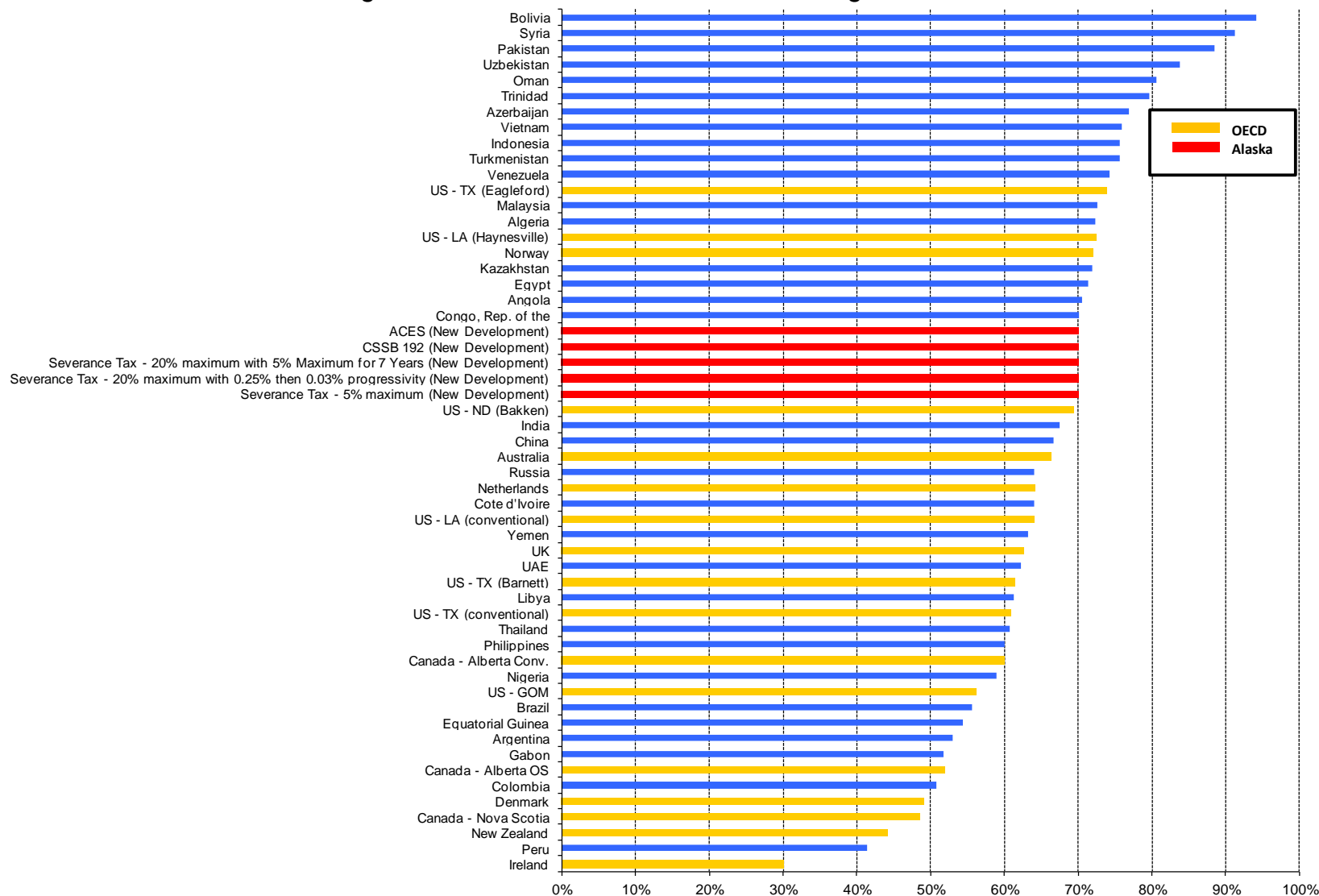
# Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at \$200/bbl



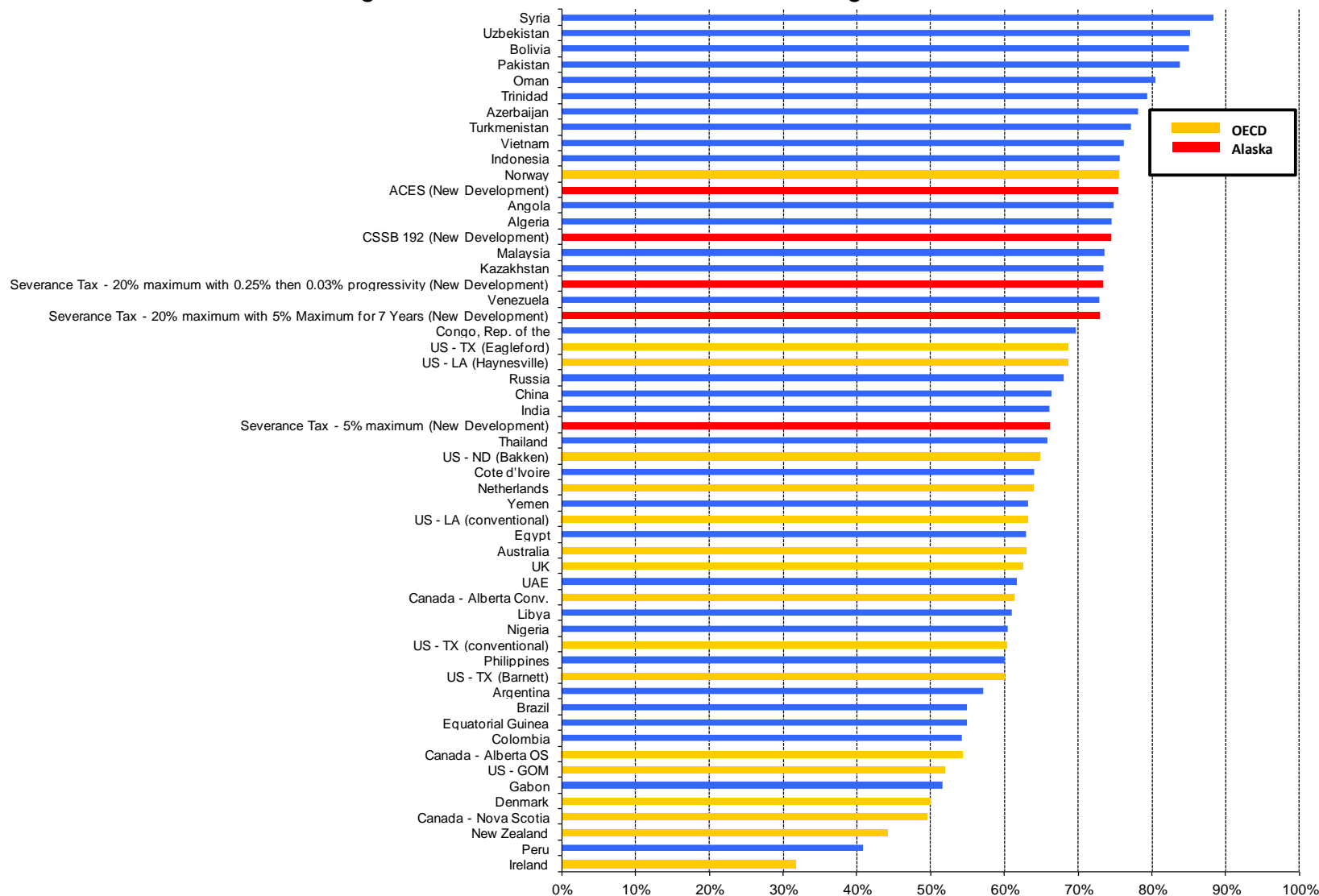
# Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at \$60/bbl



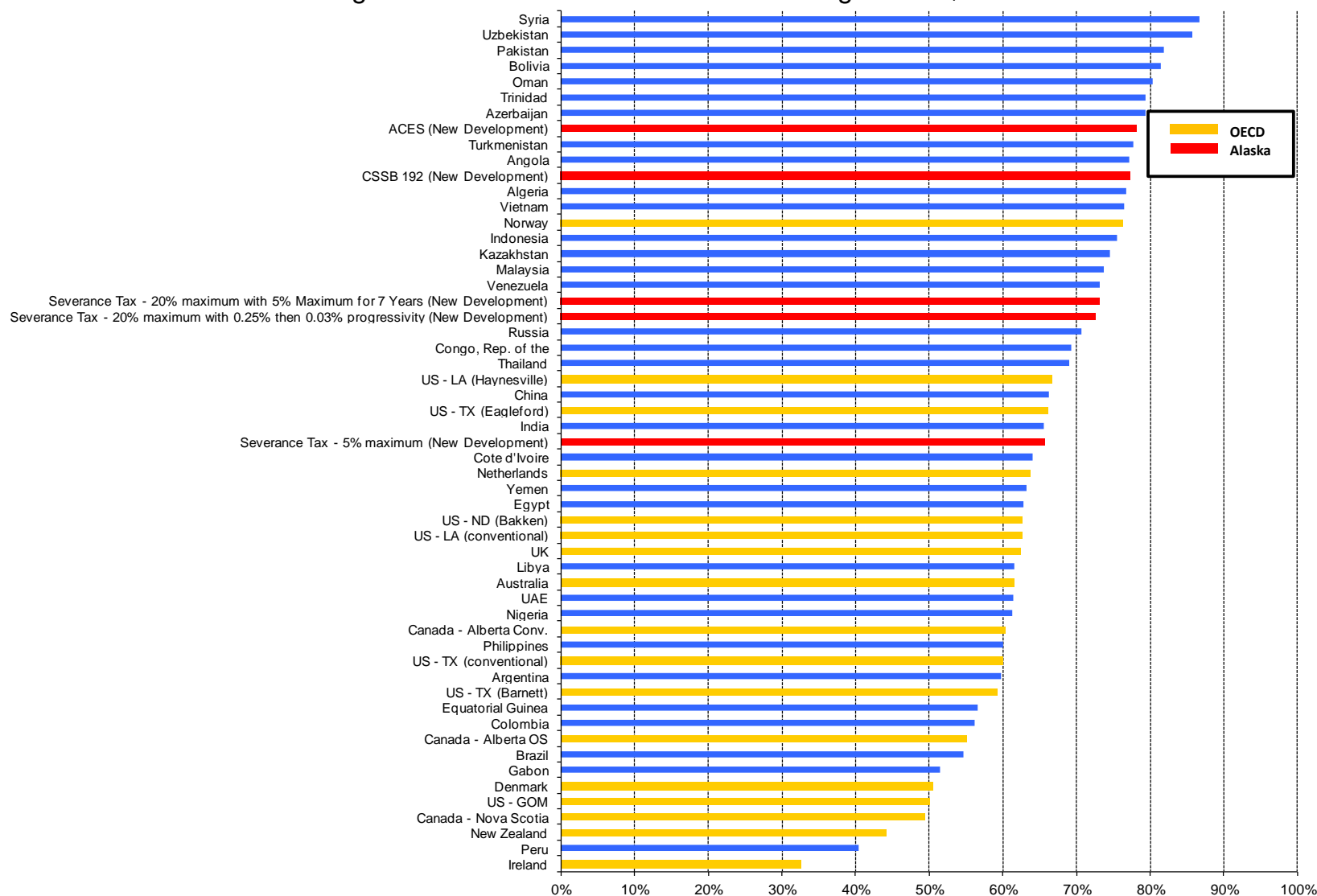
# Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at \$80/bbl



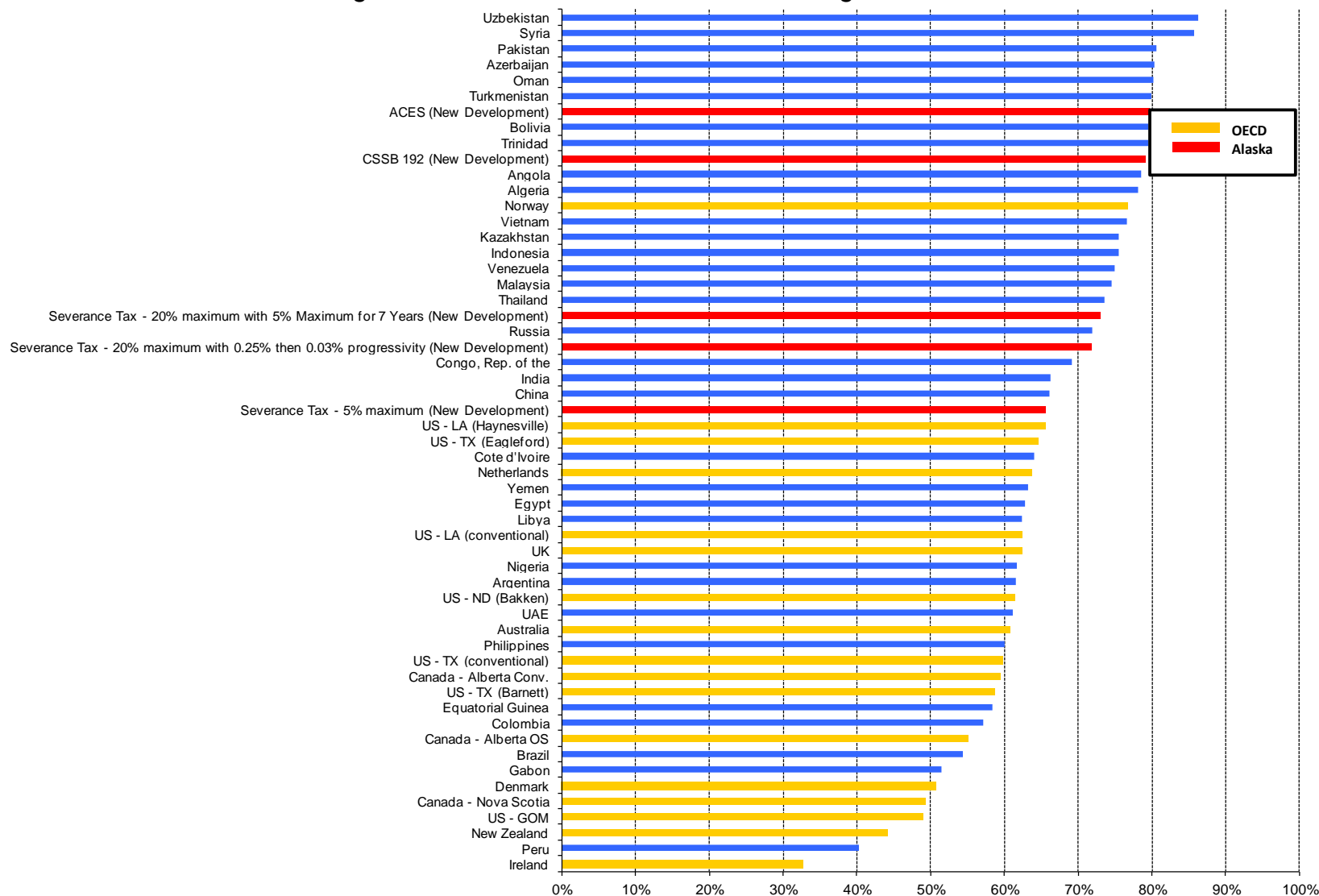
# Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at \$100/bbl



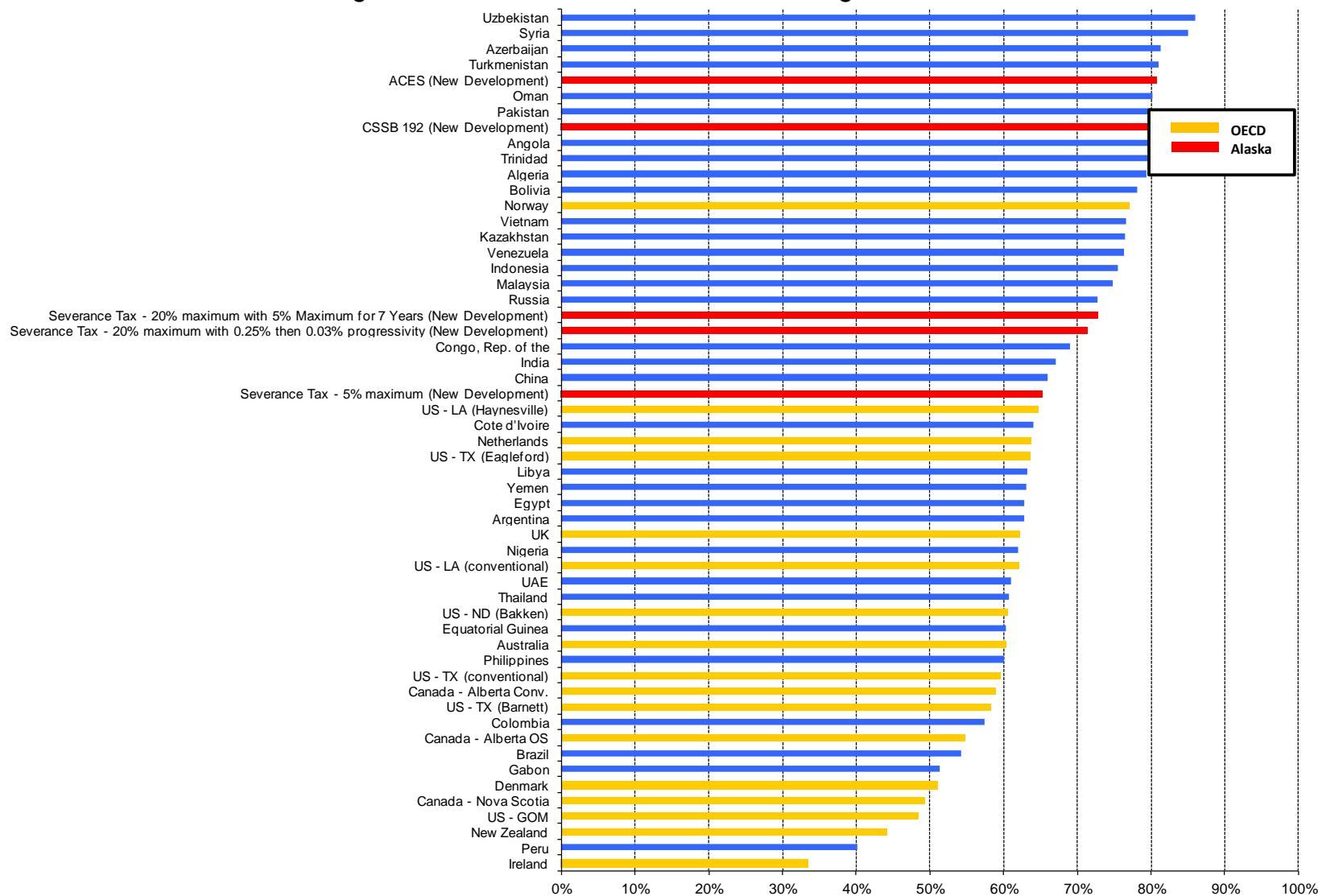
# Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at \$120/bbl



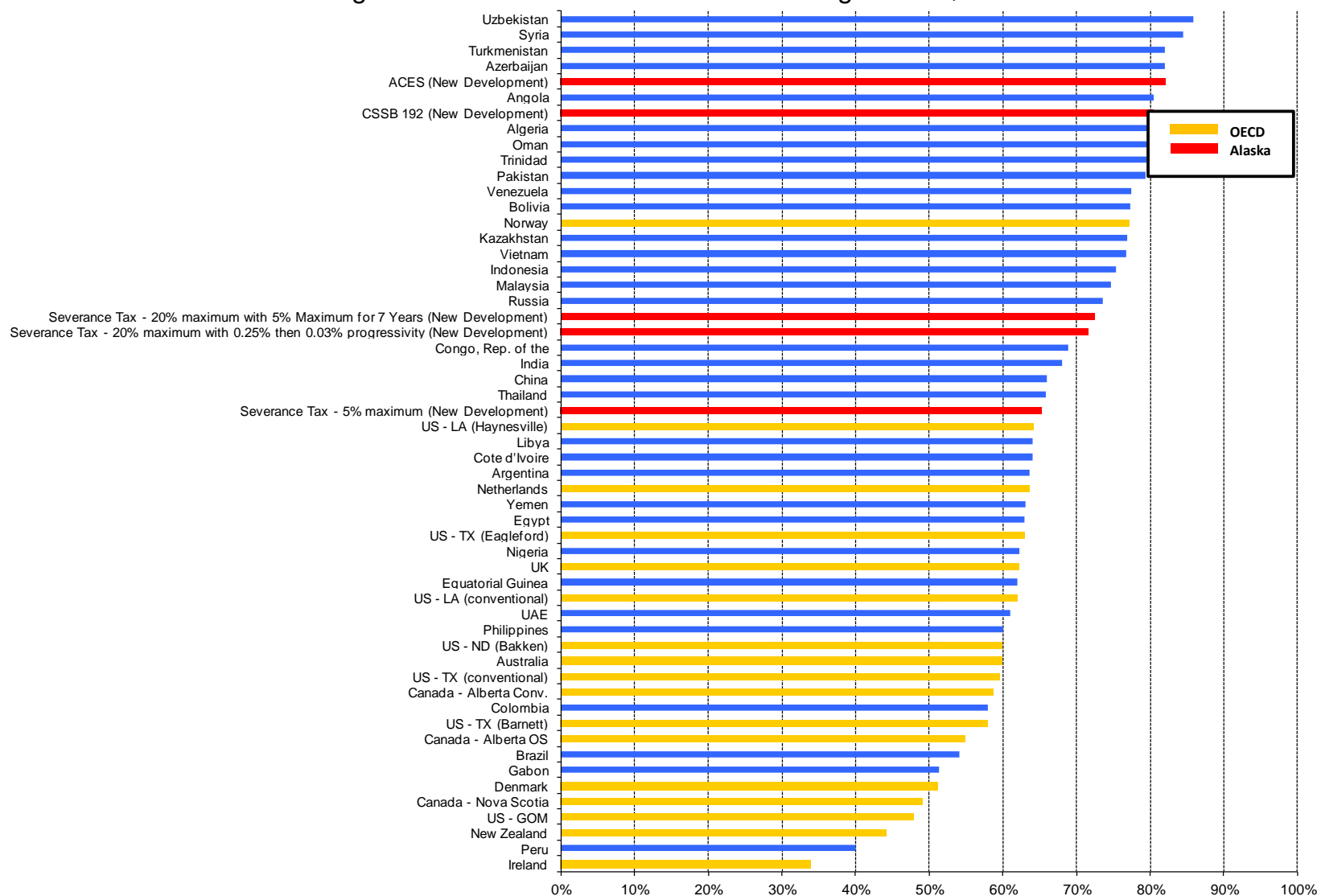
# Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at \$140/bbl



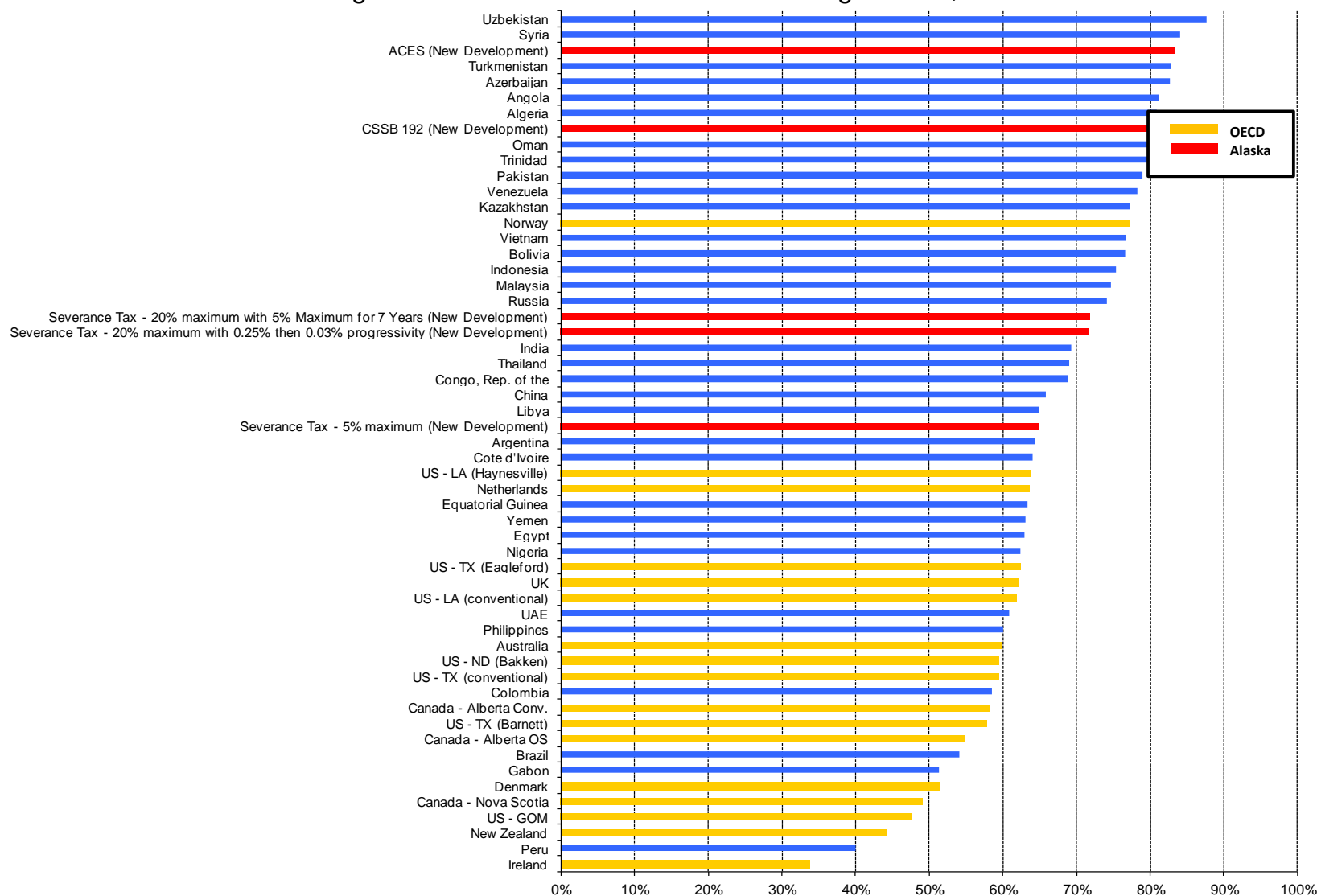
# Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at \$160/bbl



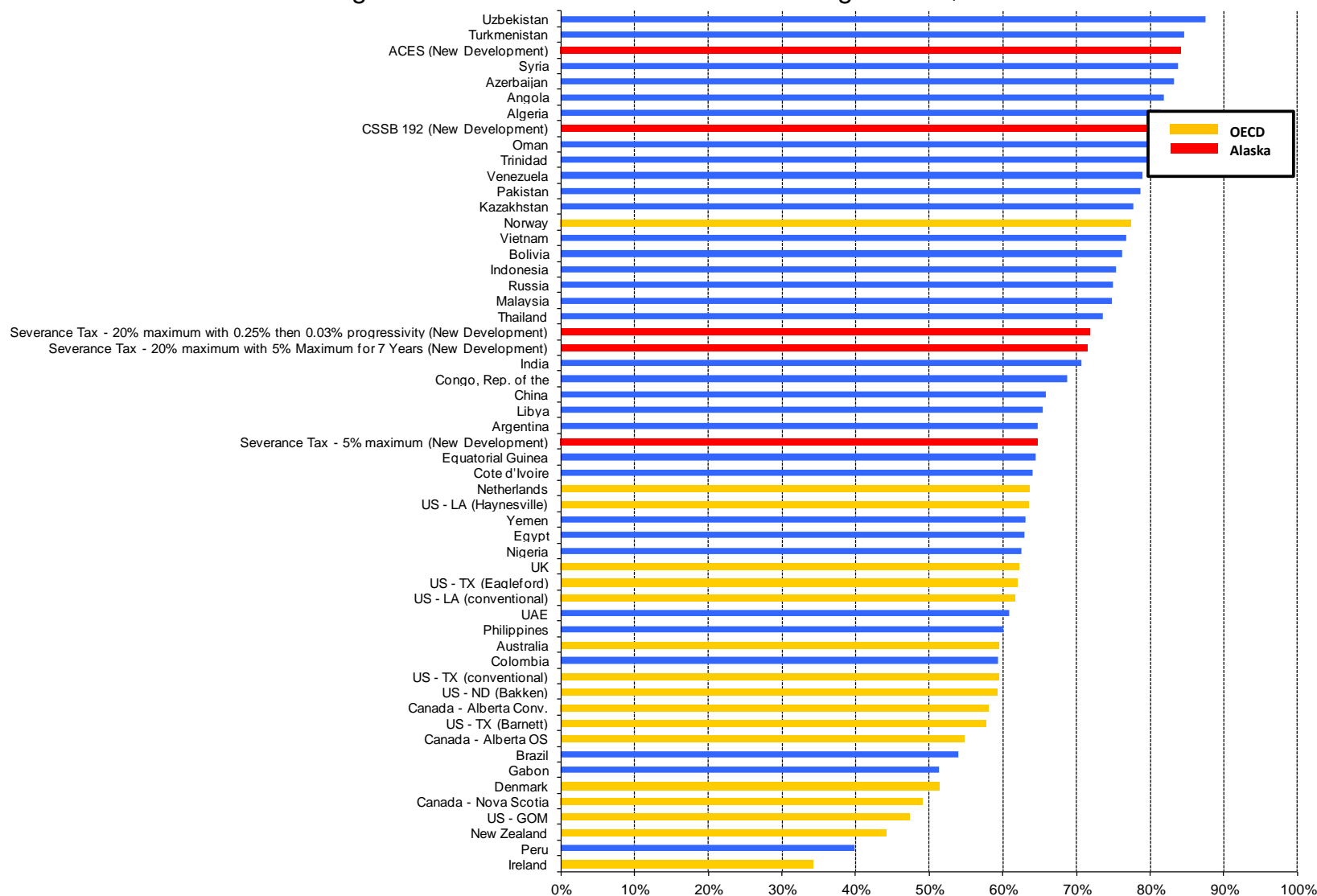
# Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at \$180/bbl



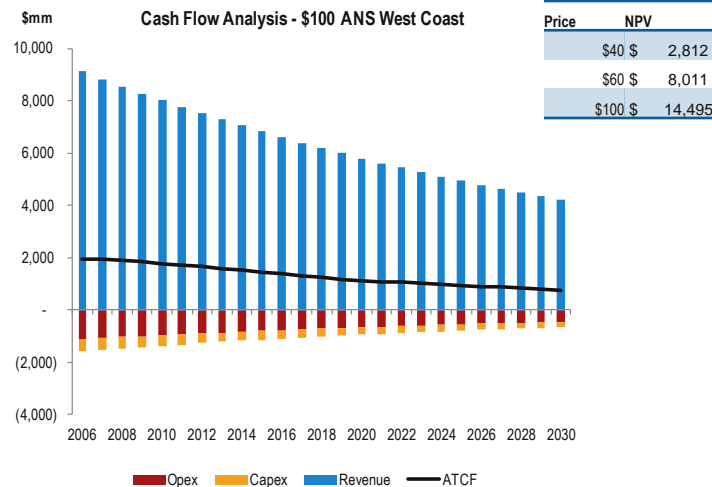
# Regime Competitiveness: Relative Government Take

Average Government Take of Global Fiscal Regimes at \$200/bbl



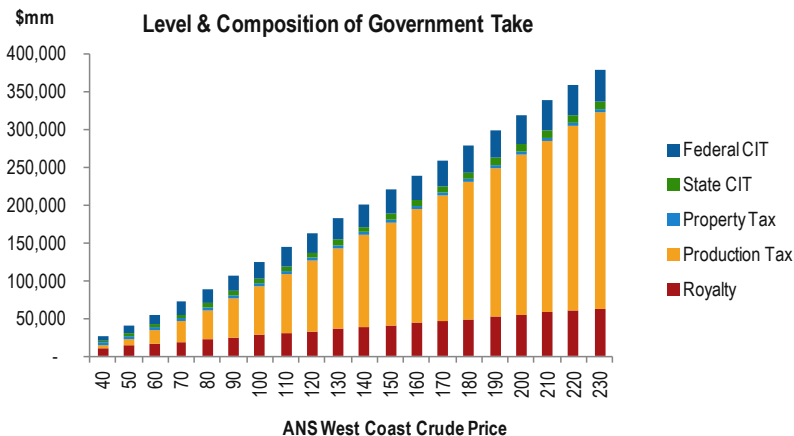
# ACES (Existing Producer)

Cash Flow Analysis - \$100 ANS West Coast

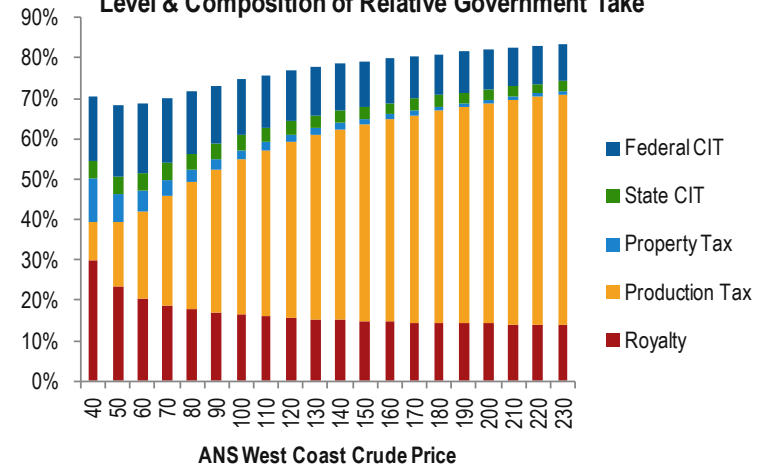


Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	30%	9%	11%	4%	54%	16%	71%
50	23%	16%	7%	5%	51%	17%	68%
60	20%	22%	5%	4%	52%	17%	69%
70	19%	27%	4%	4%	54%	16%	70%
80	18%	31%	3%	4%	56%	15%	72%
90	17%	35%	3%	4%	59%	15%	73%
100	16%	39%	2%	4%	61%	14%	75%
110	16%	41%	2%	3%	63%	13%	76%
120	16%	44%	2%	3%	64%	13%	77%
130	15%	46%	2%	3%	66%	12%	78%
140	15%	47%	2%	3%	67%	12%	79%
150	15%	49%	1%	3%	68%	11%	79%
160	15%	50%	1%	3%	69%	11%	80%
170	14%	51%	1%	3%	70%	11%	80%
180	14%	52%	1%	3%	71%	10%	81%
190	14%	54%	1%	3%	72%	10%	82%
200	14%	55%	1%	3%	72%	10%	82%
210	14%	55%	1%	2%	73%	9%	82%
220	14%	56%	1%	2%	74%	9%	83%
230	14%	57%	1%	2%	74%	9%	83%

Level & Composition of Government Take

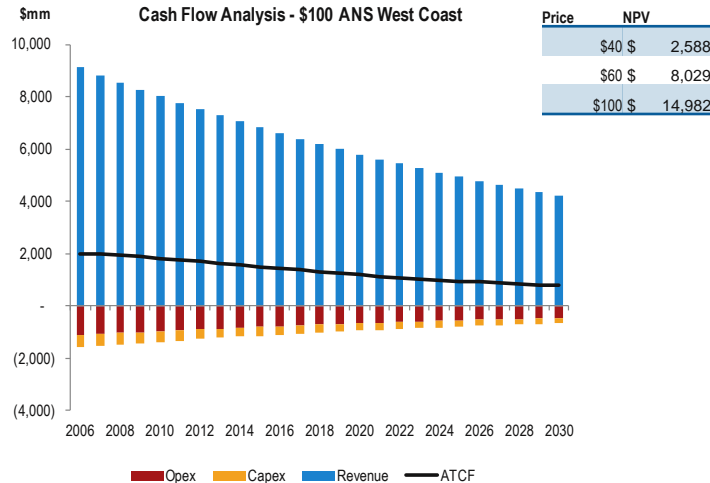


Level & Composition of Relative Government Take



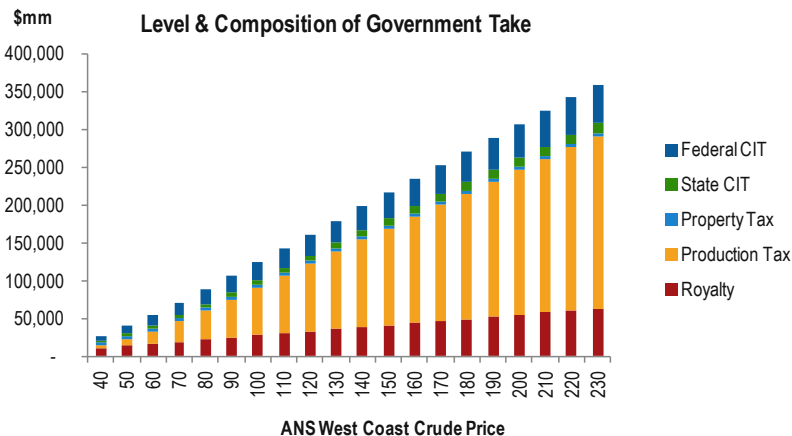
# CSSB 192 (Existing Producer)

Cash Flow Analysis - \$100 ANS West Coast

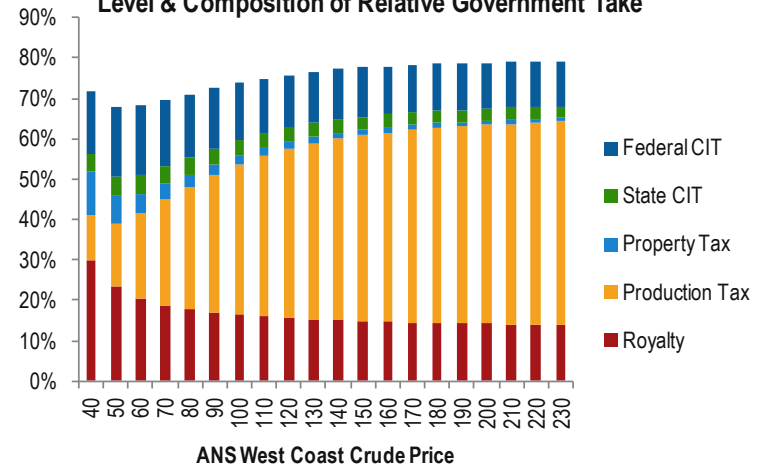


Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	30%	11%	11%	4%	56%	16%	72%
50	23%	16%	7%	5%	51%	17%	68%
60	20%	21%	5%	5%	51%	17%	68%
70	19%	26%	4%	4%	53%	17%	70%
80	18%	30%	3%	4%	55%	16%	71%
90	17%	34%	3%	4%	58%	15%	72%
100	16%	37%	2%	4%	60%	14%	74%
110	16%	40%	2%	4%	61%	14%	75%
120	16%	42%	2%	3%	63%	13%	76%
130	15%	44%	2%	3%	64%	13%	77%
140	15%	45%	2%	3%	65%	12%	77%
150	15%	46%	1%	3%	65%	12%	78%
160	15%	47%	1%	3%	66%	12%	78%
170	14%	48%	1%	3%	66%	12%	78%
180	14%	48%	1%	3%	67%	12%	78%
190	14%	49%	1%	3%	67%	12%	79%
200	14%	49%	1%	3%	67%	11%	79%
210	14%	50%	1%	3%	68%	11%	79%
220	14%	50%	1%	3%	68%	11%	79%
230	14%	50%	1%	3%	68%	11%	79%

Level & Composition of Government Take



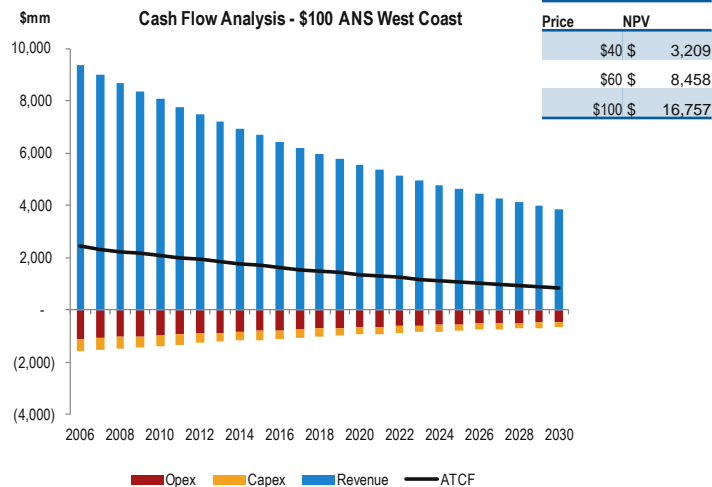
Level & Composition of Relative Government Take



# Severance Tax - 20% maximum (Existing Producer)

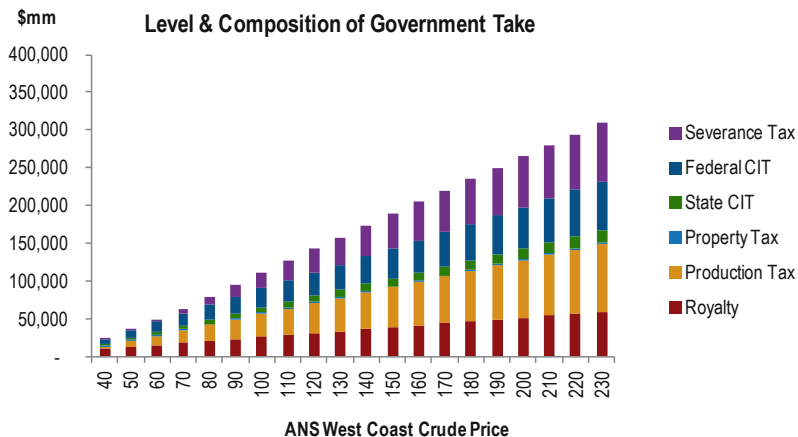
.25% progressivity from \$65 to \$125, then .10% progressivity

Cash Flow Analysis - \$100 ANS West Coast

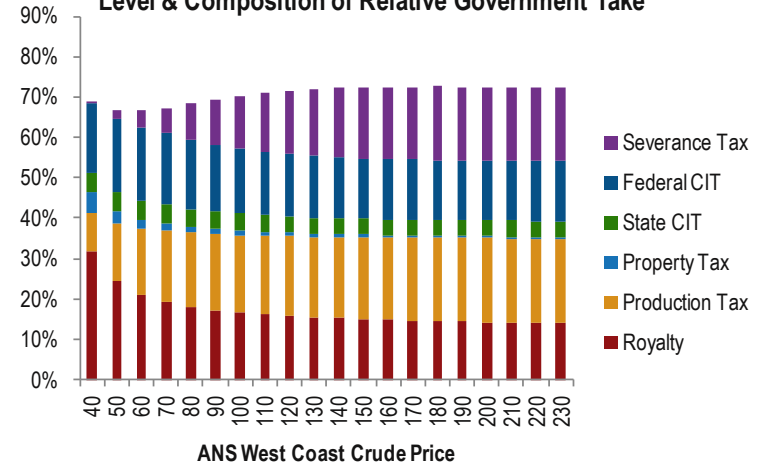


Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	32%	9%	5%	5%	51%	17%	69%
50	24%	14%	3%	5%	47%	18%	67%
60	21%	16%	2%	5%	44%	18%	67%
70	19%	18%	2%	5%	43%	18%	67%
80	18%	18%	1%	5%	42%	17%	68%
90	17%	19%	1%	4%	42%	17%	69%
100	17%	19%	1%	4%	41%	16%	70%
110	16%	20%	1%	4%	41%	16%	71%
120	16%	20%	1%	4%	40%	15%	72%
130	15%	20%	1%	4%	40%	15%	72%
140	15%	20%	1%	4%	40%	15%	72%
150	15%	20%	1%	4%	40%	15%	72%
160	15%	20%	1%	4%	40%	15%	72%
170	15%	21%	1%	4%	40%	15%	73%
180	14%	21%	1%	4%	39%	15%	73%
190	14%	21%	0%	4%	39%	15%	73%
200	14%	21%	0%	4%	39%	15%	72%
210	14%	21%	0%	4%	39%	15%	72%
220	14%	21%	0%	4%	39%	15%	72%
230	14%	21%	0%	4%	39%	15%	72%

Level & Composition of Government Take



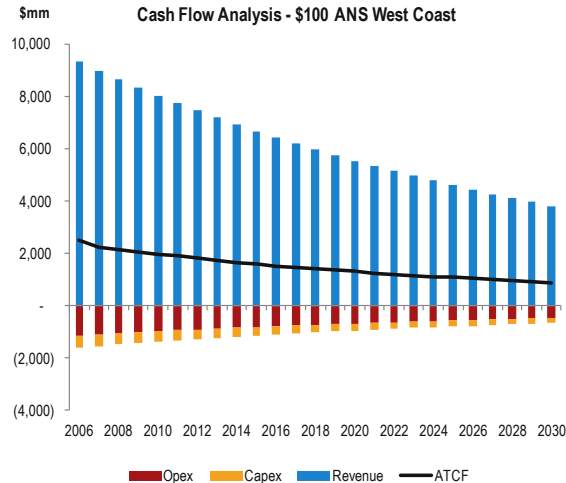
Level & Composition of Relative Government Take



# Severance Tax - 20% maximum (Existing Producer)

.25% progressivity from \$60 to \$100, then .03% progressivity

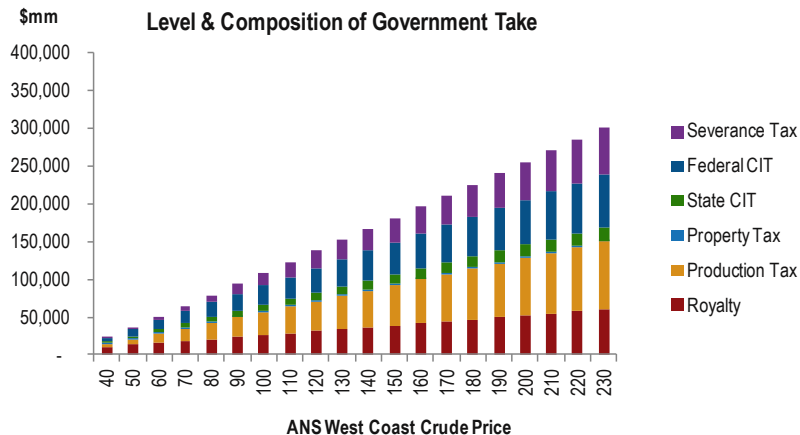
Cash Flow Analysis - \$100 ANS West Coast



NPV	
\$40 \$	3,117
\$60 \$	8,420
\$100 \$	16,768

Price	Royalty	Production Tax	Property Tax	State CIT	Total State Take	Federal CIT	Total GT
40	32%	11%	5%	4%	53%	17%	70%
50	24%	14%	3%	5%	46%	18%	67%
60	21%	16%	2%	5%	44%	18%	67%
70	19%	18%	2%	5%	43%	18%	67%
80	18%	18%	1%	5%	42%	17%	68%
90	17%	19%	1%	4%	42%	17%	68%
100	17%	19%	1%	4%	41%	17%	69%
110	16%	20%	1%	4%	41%	17%	69%
120	16%	20%	1%	4%	41%	17%	69%
130	15%	20%	1%	4%	41%	17%	69%
140	15%	20%	1%	4%	40%	17%	69%
150	15%	20%	1%	4%	40%	17%	69%
160	15%	20%	1%	4%	40%	17%	69%
170	15%	21%	1%	4%	40%	17%	69%
180	14%	21%	1%	4%	40%	16%	69%
190	14%	21%	0%	4%	40%	16%	70%
200	14%	21%	0%	4%	40%	16%	70%
210	14%	21%	0%	4%	40%	16%	70%
220	14%	21%	0%	4%	40%	16%	70%
230	14%	21%	0%	4%	40%	16%	70%

Level & Composition of Government Take



Level & Composition of Relative Government Take

