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ConocoPhillips
Alaska, Inc.

March 25, 2011

The Honorable Bill Stoltze
Co-Chairman, House Finance Committee
Alaska State Legislature
Alaska State Capitol, Room 515
Juneau, AK 99801-1182

The Honorable Bill Thomas
Co-Chairman, House Finance Committee
Alaska State Legislature
Alaska State Capitol, Room 505
Juneau, AK 99801-1182

Dear Co-Chairmen Stoltze and Thomas:

Thank you for the opportunity to present to the House Finance Committee on March 23, 2011, regarding the State of Alaska's oil tax structure and our support for HB 110 as a positive step towards improving the investment climate in Alaska.

Questions raised during the committee discussion are addressed below with additional details provided in the attachments.

Question #1: Can you provide the fiscal comparison analysis performed by PFC Energy on an average government take basis at $100/bbl and $82.50/bbl?

Response: Attachment 1 is the PFC fiscal comparison on a marginal basis at $100/bbl, Attachment 2 is the PFC fiscal comparison on an average basis at $100/bbl, and Attachment 3 is the PFC fiscal comparison on an average basis at $82.50/bbl. In all three cases Alaska under ACES is identified by the red bar, Alaska under HB 110 is identified by the green bar, and other states and OECD countries are identified by yellow bars. The Alaska values are government take after credits have been applied. On an average basis at these prices, government take for Alaska ranges between 73 percent and 76 percent, while on a marginal basis at $100/bbl government take for Alaska exceeds 82 percent. The government take for Alaska is significantly higher than for any other state, where oil activity is booming in the current high price environment.

Question #2: Can you illustrate where HB 110 would fall on the chart comparing industry/government take in Alaska vs. Federal (OCS) for an example $1 billion capital investment?

Response: Attachment 4 is the chart shown during testimony, with the addition of the impact on industry take under HB 110.

Please do not hesitate to contact me if the Committee has further questions or requires additional information.

Respectfully,

Wendy D. King

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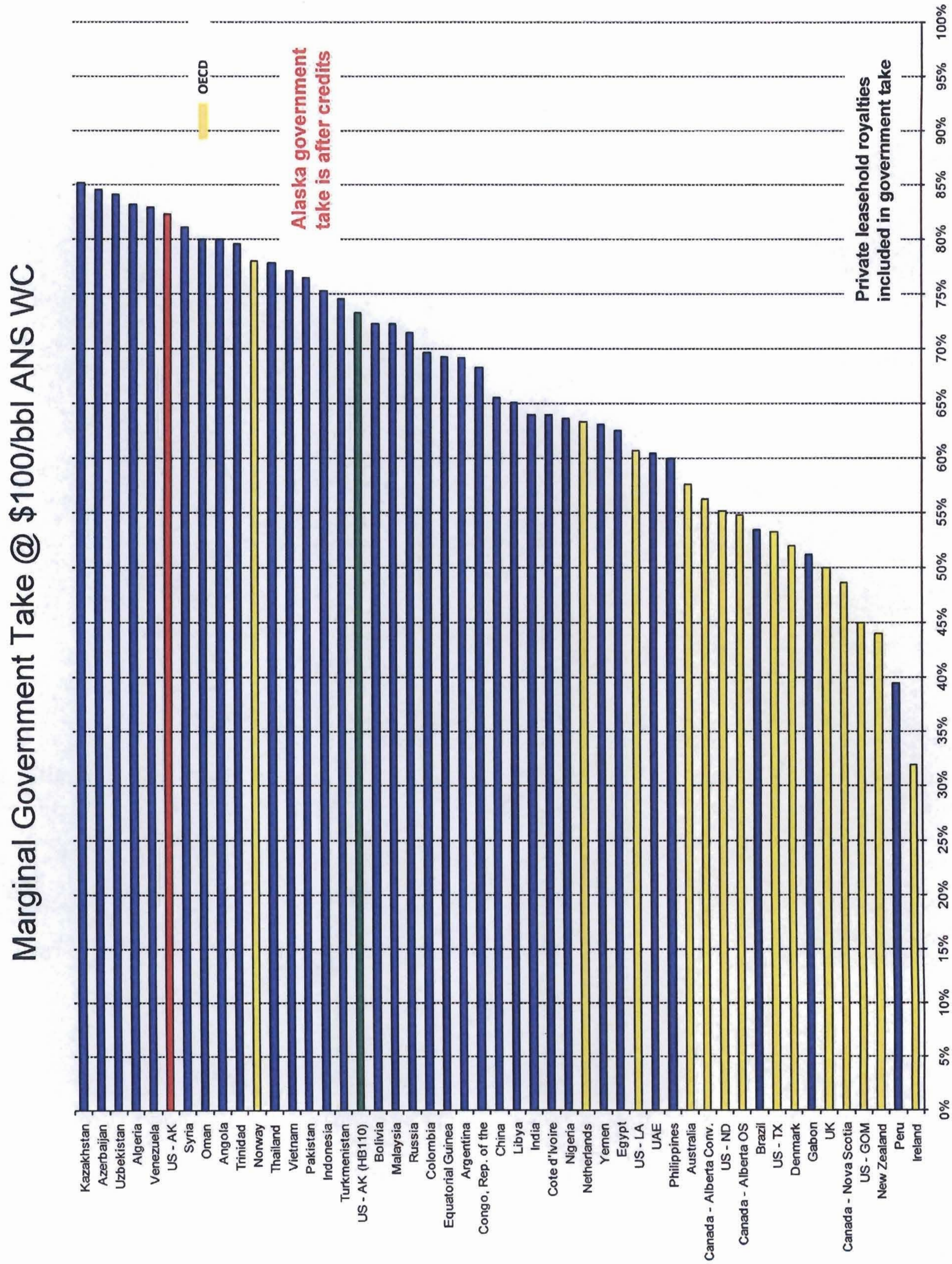
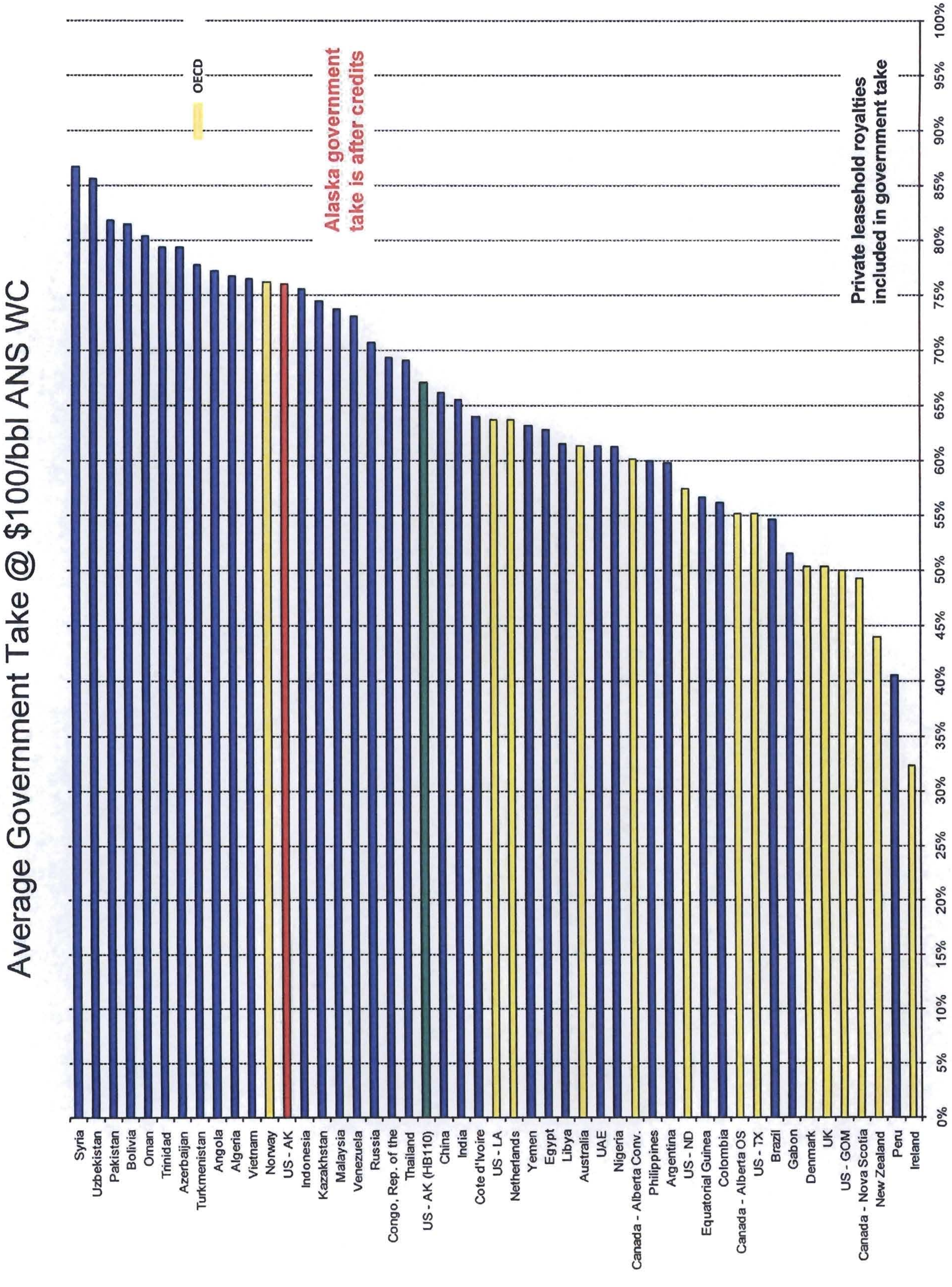
Attachments

Attachment 1



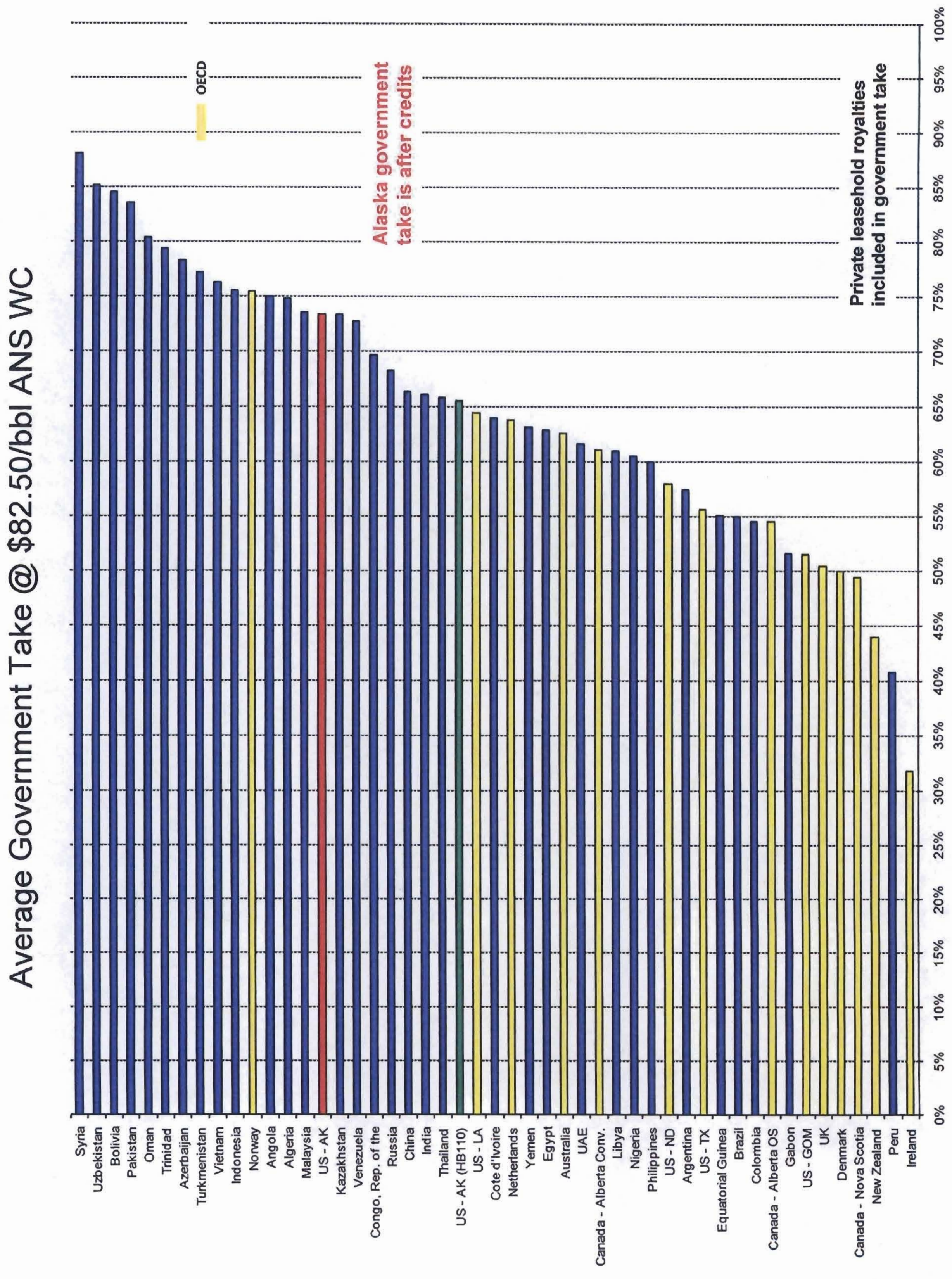
Source: PFC Energy

Attachment 2



Source: PFC Energy

Attachment 3

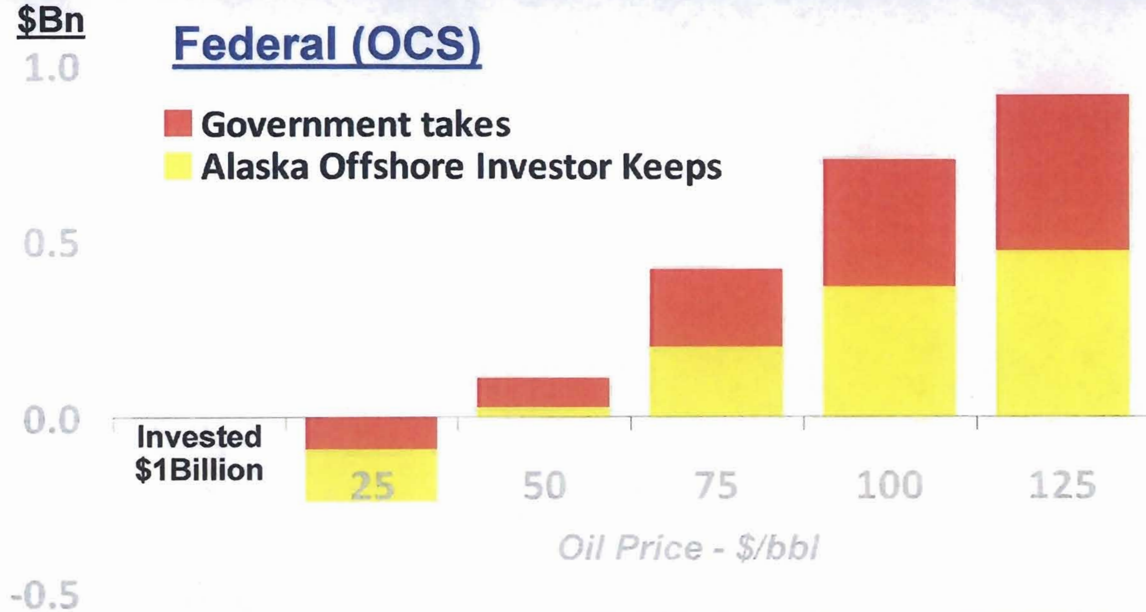


Source: PFC Energy

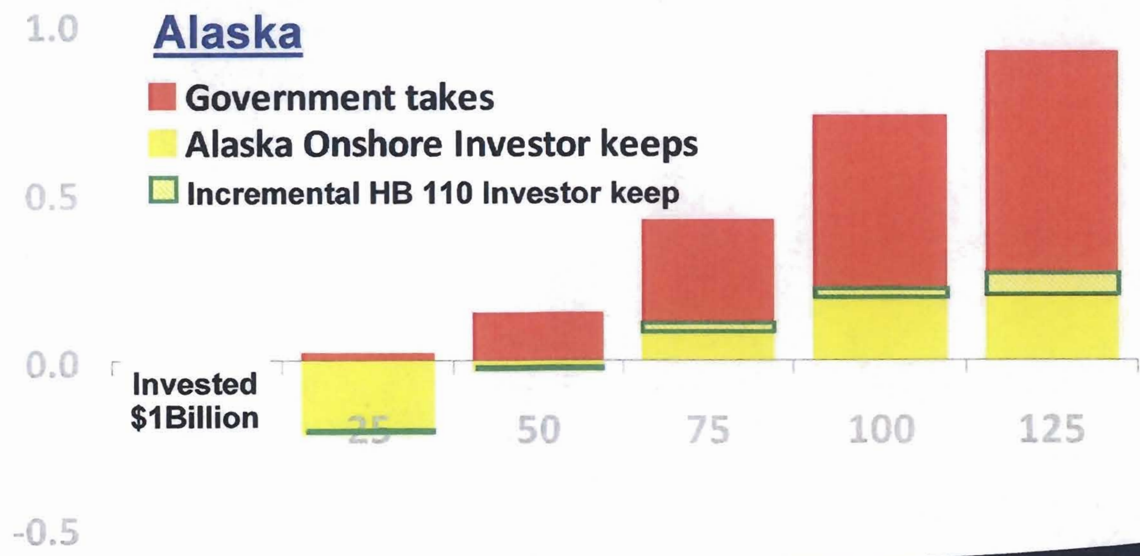
Attachment 4

HB 110 Improves ACES

Example – $1Billion capital investment



- Adequate returns in success case justify up front investment risk



- Alaska onshore fiscal terms: Risk / reward is out of balance

Discounted cash flow

Government take is after Alaska credits

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