



Senate Finance Committee

◦ Kara Moriarty –President/CEO

April 13, 2016

OIL & GAS:
FUELING
ALASKA'S
ECONOMY

AOGA
Alaska Oil and Gas Association

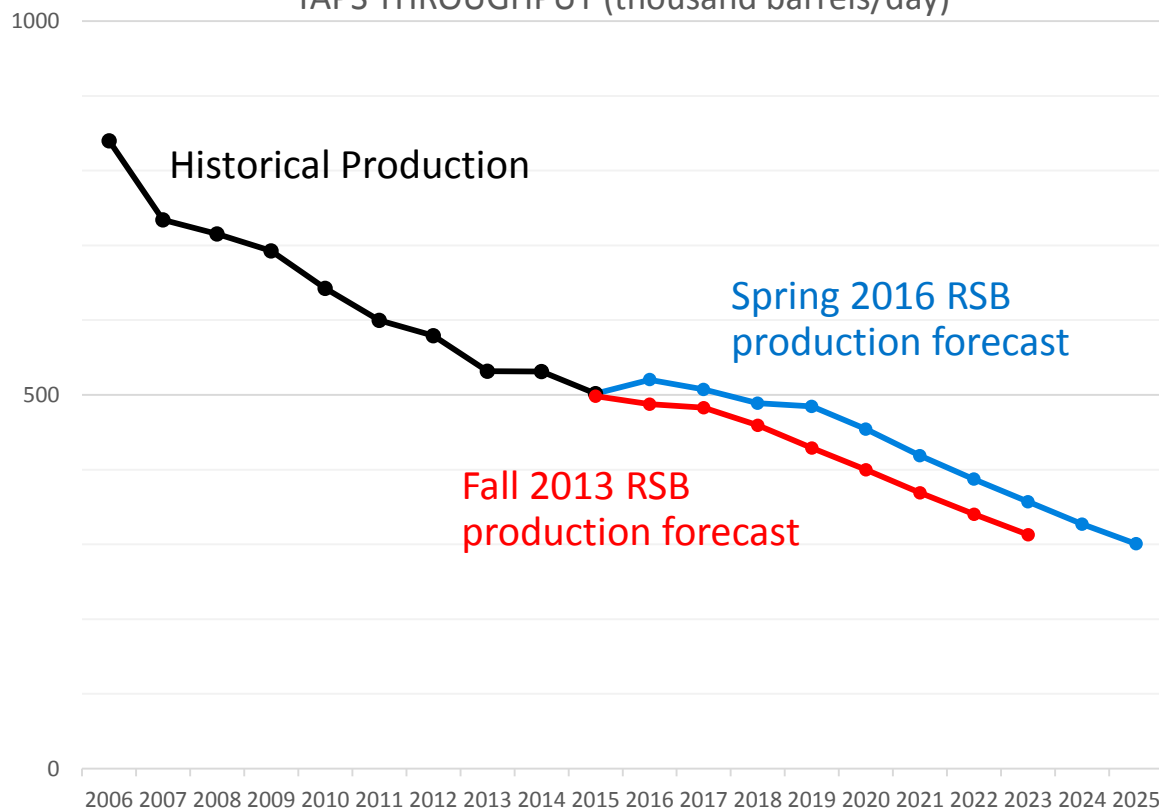
Policy Questions for SB 130

- *What effect will the policy have on overall oil and gas production in the state?*
- *Will the policy make Alaska more or less competitive on a global scale?*
- *Will the policy provide stability to the industry and the State of Alaska?*
- *Will the policy provide predictability to companies looking to make huge investment decisions?*

Alaska has MORE production *FIRST time since 2002*

TAPS Throughput Historical & Forecasted

TAPS THROUGHPUT (thousand barrels/day)



Year	Fall 2013 Forecast	Spring 2016 Forecast
2016	487.6	520.2
2017	482.7	507.1
2018	459.5	488.8
2019	429.1	484.4
2020	399.6	454.1
2021	368.8	418.6
2022	340.1	387.1
2023	312.9	356.8
2024		327.0
2025		300.5

Source: DOR Spring RSB, April 2016

Hilcorp's Monopod example

January 2012

- Price: \$95/barrel
- Production: 600 bpd
- Royalty to State: \$90,000/month

Today, April 2016

- Price: \$35/barrel
- Production: 3,000 bpd
- Royalty to State: \$500,000/month
- Added 20+ years production life & 8 million barrels of future production

Since Hilcorp's entrance in 2012:

- Oil production doubled
- Oil royalty increased \$70 million



Importing foreign crude for Alaska refineries

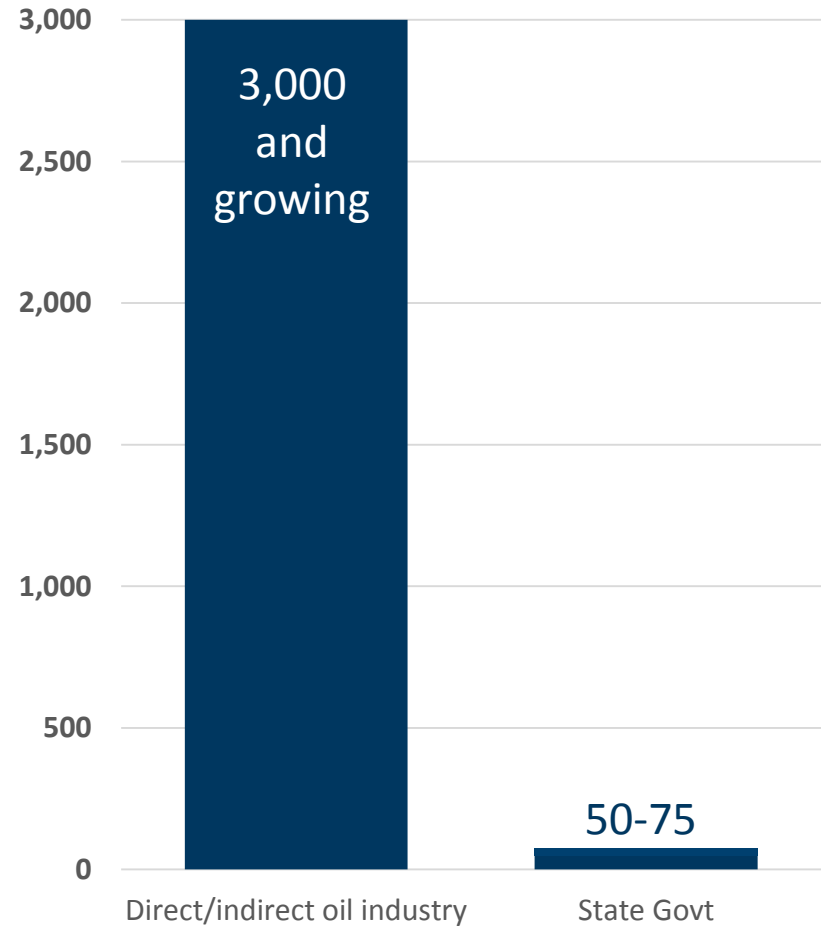
Foreign Crude



Low oil prices taking their toll on jobs



Estimated jobs lost in 2016



At current prices, industry has *negative cash flow before tax*

Estimate Average March 2016 ANS Price	\$38.11
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Transportation Costs	(\$10.50)
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Total Operating Expenditures	(\$19.47)
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Total Capital Expenditures	(\$19.97)
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Total Average Cost Per Barrel Before Tax	(\$49.94)
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Source: DOR Spring 2016 Forecast, April 2016

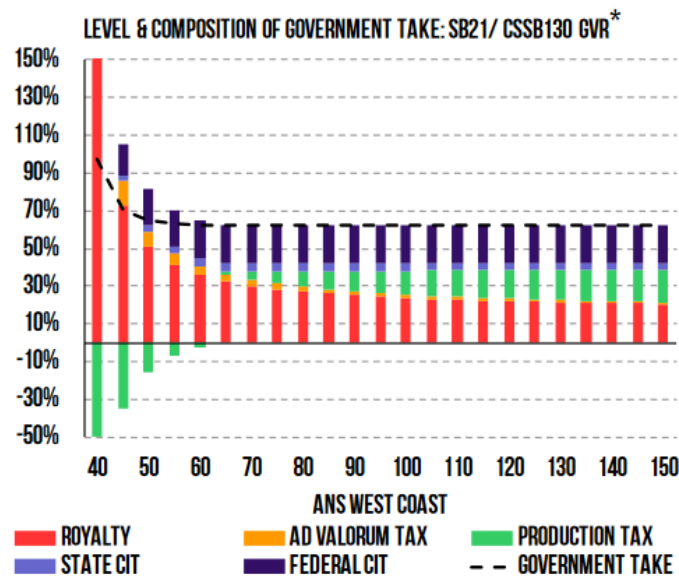
More Production? Competitive? Stable? Predictable?

CS AVOIDS MAKING REGRESSIVE SYSTEM EVEN MORE SO

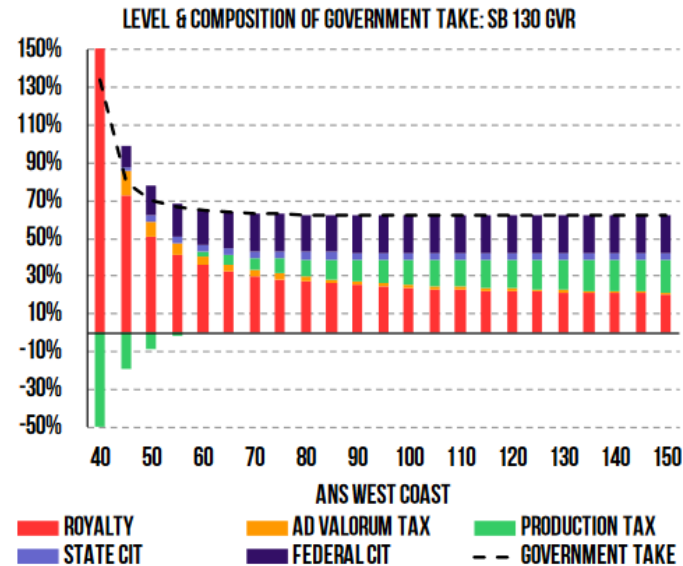
State of Alaska making negative production tax in today's prices; but overall gov't take is still high

Floor hardening of original bill shifts up government take in lower oil prices

In times of high investment / low prices (as in 2016), **effective government take exceeds 100%**



* EXCLUDES IMPACT OF 5 YR GVR LIMIT



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Specific Concerns with CS for SB 130

- *Nuclear Bomb for Cook Inlet*
- *GVR Limits/Elimination = Lost value for projects*
- *Changing Value of GVR/NOL*
- *Set limits on credits- discouraging investments by smaller company*
- *Interest rates increase significantly*
- *Retroactivity provisions*
- *Alaska Hire provisions*

Concerning provisions not in CS

- *Raising the minimum tax by at least 25% for companies*
- *“Hardening” the floor*
- *Confidentiality protections jeopardized*
- *Disguised tax increase through the change of the application of Gross Value at the Point of Production*

Policy Changes = Economic Impacts

AOGA is not asking for assistance from the state of Alaska in this downturn, but does ask for careful consideration of any policy changes.

In this price environment, any change will have a negative impact on industry and will result in Alaskans losing jobs, less production, and less long-term revenues for the state.