

Order of Operations Presentation

Senate Finance Committee

Department of Revenue

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Acronyms

ANS – Alaska North Slope

ANWR – Arctic National Wildlife
Refuge

Avg – Average

Bbl – Barrel

BOE – Barrel of Oil Equivalent

Capex – Capital expenditures

CBRF – Constitutional Budget
Reserve Fund

CIT – Corporate Income Tax

DOR – Department of Revenue

FY – Fiscal Year

GVPP – Gross Value at Point of Production

GVR – Gross Value Reduction

Mcf – Thousand cubic feet

MMcf – Million cubic feet

NPR-A – National Petroleum Reserve
Alaska

Opex – Operating Expenditures

OCS – Outer Continental Shelf

PTV – Production Tax Value

SB21 – Senate Bill 21, passed in 2013

TAPS – Trans Alaska Pipeline System

Ths – Thousands



Agenda

- Oil and Gas Revenue Sources
 - FY2024 to FY2028 oil and gas revenues
- Production Tax Calculation “Order of Operations”
 - Detailed walk-through for FY2027
 - FY2024 to FY2028 comparison
 - FY2027 Illustration Challenges
- Company Spending/ Investment Scenarios
- Gross Value Reduction
- North Slope Gas Production Tax



Oil & Gas Revenue Sources

Disclaimer

- Alaska's severance tax is one of the most complex in the world and portions are subject to interpretation and dispute
- These numbers are rough approximations based on public data, as presented in the Fall 2025 Forecast and other revenue forecasts
- This presentation is solely for illustrative general purposes
 - Not an official statement as to any particular tax liability, interpretation, or treatment
 - Not tax advice or guidance
- Some numbers may differ due to rounding



Oil and Gas Revenue Sources

- Royalty – based on gross value of production
 - Plus bonuses, rents, and interest
 - Paid to Owner of the land: State, Federal, or Private
 - Usually 12.5% or 16.67% in Alaska, but rates vary
- Corporate Income Tax – based on net income
 - Paid to State (9.4% top rate)
 - Paid to Federal (21% top rate)
 - Only C-Corporations* pay this tax
- Property Tax – based on value of oil & gas property
 - Paid to State (2% of assessed value or “20 mills”)
 - Paid to Municipalities – credit offsets state tax paid
- Production Tax – paid to State, calculation to follow
 - Oil production tax based on “production tax value”
 - Gas production tax based on gross value



* C-Corporation is a business term that is used to distinguish the type of business entity, as defined under subchapter C of the federal Internal Revenue Code.

Oil and Gas Revenue Sources: Five-Year Comparison of State Revenue

	History		Current Year	Forecast	
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
ANS oil price (\$/bbl)	\$85.24	\$74.15	\$65.48	\$62.00	\$63.00
ANS production (ths bbl/ day)	461.0	468.0	457.0	517.8	512.5
Property Tax*	\$ 130.8	\$ 133.8	\$ 143.2	\$ 144.7	\$ 146.0
Corporate Income Tax	210.6	132.8	140.0	175.0	190.0
Production Tax	982.4	642.4	323.5	293.8	294.5
Royalties	1,682.2	1,505.0	1,209.4	1,247.8	1,265.6
CBRF Settlements	3.1	41.6	20.0	20.0	20.0
NPR-A Revenue	31.0	18.2	15.9	12.9	16.6
Total	\$ 3,040.1	\$ 2,473.7	\$ 1,852.0	\$ 1,894.3	\$ 1,932.7

Revenue amounts in \$ millions.

*Property Tax does not include municipal share.

Note: Numbers may not add due to rounding.



Production Tax Calculation “Order of Operations”

Fiscal System: Overall Order of Operations

Royalties (State, Federal, or Private)



Property Tax



Production Tax



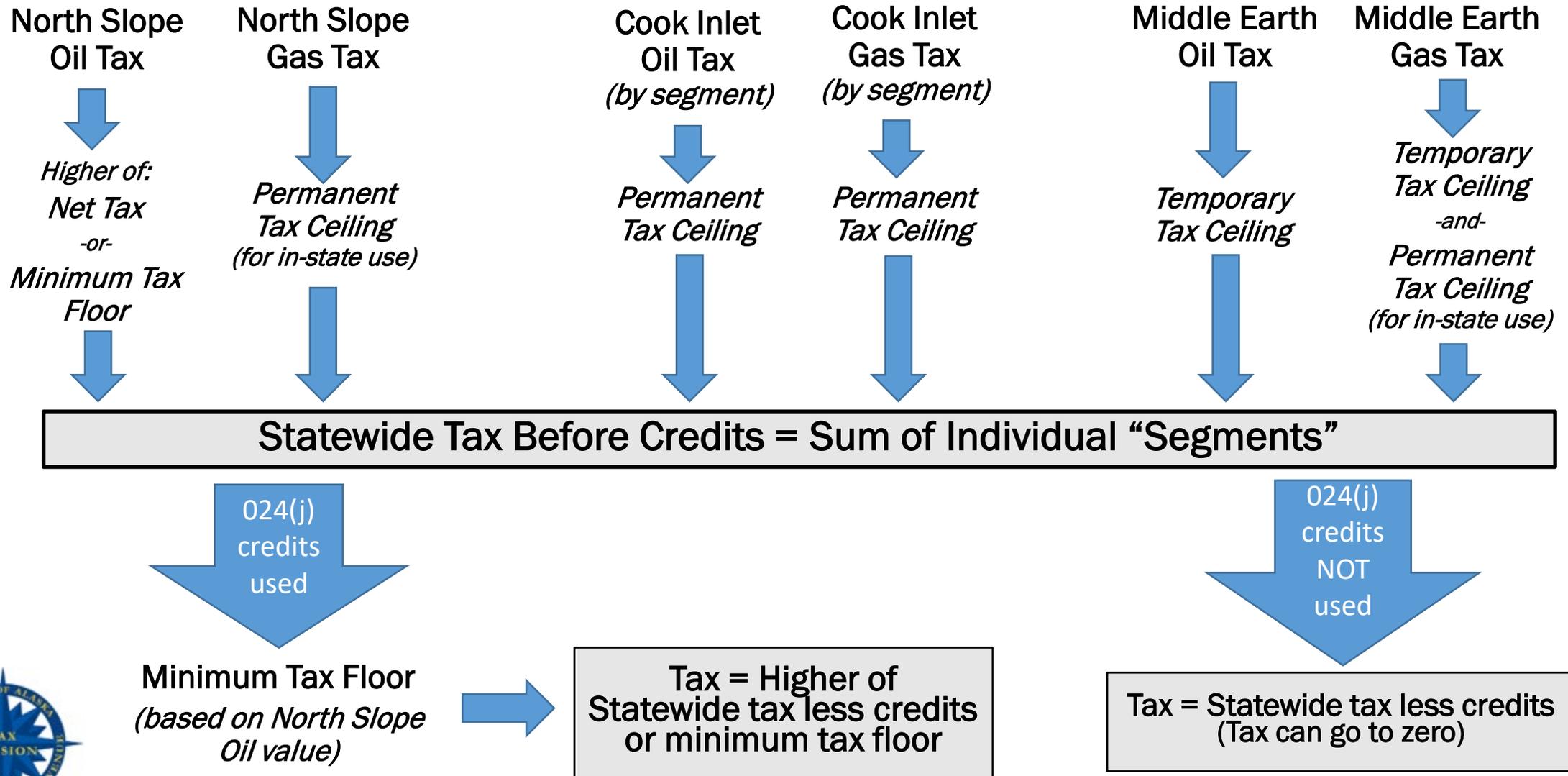
State Corporate Income Tax



Federal Corporate Income Tax



Oil and Gas Production Tax – Statewide Tax Calculation



Production Tax “Order of Operations”: FY2027

	Per Barrel	Barrels	Value (\$ million)	
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$62.00	517.8	\$32.1	
Total Annual Production/Value	\$62.00	188,984	\$11,717.0	
Royalty, Federal, and Other Barrels		(25,413)	(\$1,575.6)	
Taxable Barrels	\$62.00	163,571	\$10,141.4	
Transportation Costs	(\$10.07)		(\$1,647.4)	
Gross Value at Point of Production (GVPP)	\$51.93	163,571	\$8,494.0	
North Slope Lease Expenditures				
Deductible Operating Expenditures	(\$18.07)		(\$2,956.5)	
Deductible Capital Expenditures	(\$22.19)		(\$3,629.9)	
Total Deductible Lease Expenditures	(\$40.27)		(\$6,586.3)	
Production Tax Value (PTV)	\$11.66	163,571	\$1,907.6	
Production Tax			<u>Min Tax Floor</u>	<u>Net Tax</u>
Gross Value or Production Tax Value			\$8,494.0	\$1,907.6
Gross Value Reduction (GVR)			\$0.0	(\$359.2)
GVPP or PTV after GVR			\$8,494.0	\$1,548.5
Tax rate			4%	35%
Tax before credits			\$339.8	\$542.0
Higher of minimum tax floor or net tax	\$3.31	163,571	\$542.0	
GVR Per-taxable-barrel credits	(\$2.39)	26,221	(\$62.8)	
Non-GVR Per-taxable-barrel credits	(\$2.68)	137,350	(\$368.1)	
Total Tax after credits	\$0.68	163,571	\$111.1	
Other items / adjustments	\$1.12		\$182.7	
Total Tax paid to the state	\$1.80	163,571	\$293.8	
<i>Net New Lease Expenditures Earned and Carried Forward</i>			\$1,503.8	



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1. Royalty and Taxable Barrels



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2. Gross Value At Point of Production (GVPP)



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3. Lease Expenditures



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4. Production Tax Value (PTV)



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5. Gross Minimum Tax Floor



Production Tax “Order of Operations”: FY2027

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6. Net Tax and Gross Value Reduction (GVR)



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**7. Tax Credits
Against
Liability**



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8.
Adjustments
and Total Tax
Paid



Order of Operations: Five Year Comparison

	ACTUAL FY 2024	ACTUAL FY 2025	Current Year FY 2026	Forecast FY 2027	Forecast FY 2028					
	Value (\$ million)	Value (\$ million)	Value (\$ million)	Value (\$ million)	Value (\$ million)					
Total Annual Production/Value	\$14,383.8	\$12,666.5	\$10,923.5	\$11,717.0	\$11,817.8					
Royalty, Federal, and Other Barrels	(\$1,987.8)	(\$1,615.3)	(\$1,392.2)	(\$1,575.6)	(\$1,595.1)					
Taxable Barrels	\$12,446.1	\$11,051.3	\$9,531.3	\$10,141.4	\$10,222.7					
Transportation Costs	(\$1,537.4)	(\$1,571.6)	(\$1,540.2)	(\$1,647.4)	(\$1,575.0)					
Gross Value at Point of Production	\$10,908.6	\$9,479.6	\$7,991.1	\$8,494.0	\$8,647.7					
North Slope Lease Expenditures										
Deductible Operating Expenditures	(\$2,275.4)	(\$2,242.0)	(\$2,745.2)	(\$2,956.5)	(\$3,096.4)					
Deductible Capital Expenditures	(\$3,298.9)	(\$4,111.6)	(\$3,372.7)	(\$3,629.9)	(\$3,548.9)					
Total Deductible Lease Expenditures	(\$5,574.3)	(\$6,353.6)	(\$6,117.9)	(\$6,586.3)	(\$6,645.3)					
Production Tax Value (PTV)	\$5,334.3	\$3,126.0	\$1,873.2	\$1,907.6	\$2,002.4					
Production Tax	<u>Min Tax Floor</u>	<u>Net Tax</u>	<u>Min Tax Floor</u>	<u>Net Tax</u>	<u>Min Tax Floor</u>	<u>Net Tax</u>	<u>Min Tax Floor</u>	<u>Net Tax</u>		
Gross Value or Production Tax Value	\$10,908.6	\$5,334.3	\$9,479.6	\$3,126.0	\$7,991.1	\$1,873.2	\$8,494.0	\$1,907.6	\$8,647.7	\$2,002.4
Gross Value Reduction (GVR)	\$0.0	(\$110.0)	\$0.0	(\$19.3)	\$0.0	(\$0.5)	\$0.0	(\$359.2)	\$0.0	\$0.0
GVPP or PTV after GVR	\$10,908.6	\$5,224.4	\$9,479.6	\$3,106.7	\$7,991.1	\$1,872.7	\$8,494.0	\$1,548.5	\$8,647.7	\$2,002.4
Tax rate	4%	35%	4%	35%	4%	35%	4%	35%	4%	35%
Tax before credits	\$436.3	\$1,828.5	\$379.2	\$1,087.3	\$319.6	\$655.5	\$339.8	\$542.0	\$345.9	\$700.8
Higher of minimum tax floor or net tax	\$1,828.5	\$1,087.3	\$655.5	\$542.0	\$700.8					
GVR Per-taxable-barrel credits	(\$31.9)	(\$20.7)	(\$15.5)	(\$62.8)	(\$67.8)					
Non-GVR Per-taxable-barrel credits	(\$856.3)	(\$621.4)	(\$476.1)	(\$368.1)	(\$394.1)					
Total Tax after credits	\$940.4	\$445.2	\$163.9	\$111.1	\$238.9					
Other items / adjustments	\$42.0	\$197.2	\$159.6	\$182.7	\$55.6					
Total Tax paid to the state¹	\$982.4	\$642.4	\$323.5	\$293.8	\$294.5					
<i>Net New Lease Expenditures Earned and Carried Forward</i>	\$1,264.8	\$1,335.7	\$3,384.4	\$1,503.8	\$1,405.7					
Total Carried Forward Lease Expenditures	\$2,632.9	\$3,968.6	\$7,353.0	\$8,856.8	\$10,262.6					
Effective Tax Rate²	18%	21%	17%	15%	15%					

¹ Amount includes hazardous release surcharge

² Effective tax rate calculated as total tax paid to the state as a share of PTV

Question: Why Doesn't the FY2027 Tax Calculate Exactly?

	Per Barrel	Barrels	Value (\$ million)	
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$62.00	517.8	\$32.1	
Total Annual Production/Value	\$62.00	188,984	\$11,717.0	
Royalty, Federal, and Other Barrels		(25,413)	(\$1,575.6)	
Taxable Barrels	\$62.00	163,571	\$10,141.4	
Transportation Costs	(\$10.07)		(\$1,647.4)	
Gross Value at Point of Production (GVPP)	\$51.93	163,571	\$8,494.0	
North Slope Lease Expenditures				
Deductible Operating Expenditures	(\$18.07)		(\$2,956.5)	
Deductible Capital Expenditures	(\$22.19)		(\$3,629.9)	
Total Deductible Lease Expenditures	(\$40.27)		(\$6,586.3)	
Production Tax Value (PTV)	\$11.66	163,571	\$1,907.6	
Production Tax			Min Tax Floor	Net Tax
Gross Value or Production Tax Value			\$8,494.0	\$1,907.6
Gross Value Reduction (GVR)			\$0.0	(\$359.2)
GVPP or PTV after GVR			\$8,494.0	\$1,548.5
Tax rate			4%	35%
Tax before credits			\$339.8	\$542.0
Higher of minimum tax floor or net tax	\$3.31	163,571	\$542.0	
GVR Per-taxable-barrel credits	(\$2.39)	26,221	(\$62.8)	
Non-GVR Per-taxable-barrel credits	(\$2.68)	137,350	(\$368.1)	
Total Tax after credits	\$0.68	163,571	\$111.1	
Other items / adjustments	\$1.12		\$182.7	
Total Tax paid to the state	\$1.80	163,571	\$293.8	
<i>Net New Lease Expenditures Earned and Carried Forward</i>			\$1,503.8	

- Forecast is based on detailed, company-specific modeling
- Some companies pay above, at, or below the minimum tax floor
- Challenging to show in the income statement which is aggregated
- Per-taxable-barrel credits and total tax paid are both “higher” due to company-specific calculation

Company Spending/ Investment Scenarios

Example 1: Low-Cost Producer

	Per Barrel	Barrels	Value (\$ million)	
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$62.00	150.0	\$9.3	
Total Annual Production/Value	\$62.00	54,750	\$3,394.5	
Royalty, Federal, and Other Barrels		(6,844)	(\$424.3)	
Taxable Barrels	\$62.00	47,906	\$2,970.2	
Transportation Costs	(\$10.07)		(\$482.5)	
Gross Value at Point of Production (GVPP)	\$51.93	47,906	\$2,487.7	
North Slope Lease Expenditures				
Deductible Operating Expenditures	(\$14.61)		(\$700.0)	
Deductible Capital Expenditures	(\$4.17)		(\$200.0)	
Total Deductible Lease Expenditures	(\$18.79)		(\$900.0)	
Production Tax Value (PTV)	\$33.14	47,906	\$1,587.7	
Production Tax			<u>Min Tax Floor</u>	<u>Net Tax</u>
Gross Value or Production Tax Value			\$2,487.7	\$1,587.7
Gross Value Reduction (GVR)			\$0.0	(\$124.4)
GVPP or PTV after GVR			\$2,487.7	\$1,463.3
Tax rate			4%	35%
Tax before credits			\$99.5	\$512.2
Higher of minimum tax floor or net tax	\$10.69	47,906	\$512.2	
GVR Per-taxable-barrel credits	(\$5.00)	11,977	(\$59.9)	
Non-GVR Per-taxable barrel credits	(\$8.00)	35,930	(\$287.4)	
Total Tax after credits	\$3.44	47,906	\$164.8	
<i>Net New Lease Expenditures Earned and Carried Forward</i>			\$0.0	

Lease Expenditures Lower than Average

All per barrel credits utilized

Pays above minimum tax floor



Net New Lease Expenditures Earned and Carried Forward

This illustration is a stylized example assuming a hypothetical North Slope taxpayer for illustration purposes only.

Example 1a: Low-Cost Producer with Increased Spending of \$100 Million

	Per Barrel	Barrels	Value (\$ million)	
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$62.00	150.0	\$9.3	
Total Annual Production/Value	\$62.00	54,750	\$3,394.5	
Royalty, Federal, and Other Barrels		(6,844)	(\$424.3)	
Taxable Barrels	\$62.00	47,906	\$2,970.2	
Transportation Costs	(\$10.07)		(\$482.5)	
Gross Value at Point of Production (GVPP)	\$51.93	47,906	\$2,487.7	
North Slope Lease Expenditures				
Deductible Operating Expenditures	(\$14.71)		(\$704.5)	
Deductible Capital Expenditures	(\$6.26)		(\$300.0)	
Total Deductible Lease Expenditures	(\$20.97)		(\$1,004.5)	
Production Tax Value (PTV)	\$30.96	47,906	\$1,483.2	
Production Tax			<u>Min Tax Floor</u>	<u>Net Tax</u>
Gross Value or Production Tax Value			\$2,487.7	\$1,483.2
Gross Value Reduction (GVR)			\$0.0	(\$124.4)
GVPP or PTV after GVR			\$2,487.7	\$1,358.8
Tax rate			4%	35%
Tax before credits			\$99.5	\$475.6
Higher of minimum tax floor or net tax	\$9.93	47,906	\$475.6	
GVR Per-taxable-barrel credits	(\$5.00)	11,977	(\$59.9)	
Non-GVR Per-taxable barrel credits	(\$8.00)	35,930	(\$287.4)	
Total Tax after credits	\$2.68	47,906	\$128.3	
<i>Net New Lease Expenditures Earned and Carried Forward</i>			\$0.0	

\$104.5 million additional lease expenditures

\$36.5 million reduction in tax due

36.5% tax benefit from investment

This illustration is a stylized example assuming a hypothetical North Slope taxpayer for illustration purposes only.



Example 2: Mid-Cost Producer

	Per Barrel	Barrels	Value (\$ million)	
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$62.00	150.0	\$9.3	
Total Annual Production/Value	\$62.00	54,750	\$3,394.5	
Royalty, Federal, and Other Barrels		(6,844)	(\$424.3)	
Taxable Barrels	\$62.00	47,906	\$2,970.2	
Transportation Costs	(\$10.07)		(\$482.5)	
Gross Value at Point of Production (GVPP)	\$51.93	47,906	\$2,487.7	
North Slope Lease Expenditures				
Deductible Operating Expenditures	(\$18.79)		(\$900.0)	
Deductible Capital Expenditures	(\$12.52)		(\$600.0)	
Total Deductible Lease Expenditures	(\$31.31)		(\$1,500.0)	
Production Tax Value (PTV)	\$20.62	47,906	\$987.7	
Production Tax			<u>Min Tax Floor</u>	<u>Net Tax</u>
Gross Value or Production Tax Value			\$2,487.7	\$987.7
Gross Value Reduction (GVR)			\$0.0	(\$124.4)
GVPP or PTV after GVR			\$2,487.7	\$863.3
Tax rate			4%	35%
Tax before credits			\$99.5	\$302.2
Higher of minimum tax floor or net tax	\$6.31	47,906	\$302.2	
GVR Per-taxable-barrel credits	\$0.00	11,977	\$0.0	
Non-GVR Per-taxable barrel credits	(\$5.64)	35,930	(\$202.7)	
Total Tax after credits	\$2.08	47,906	\$99.5	
<i>Net New Lease Expenditures Earned and Carried Forward</i>			\$0.0	

Near- average
Opex and
Capex

Some per
barrel credits
utilized

Pays at
minimum tax
floor

This illustration is a stylized example assuming a hypothetical North Slope taxpayer for illustration purposes only.



Example 2a: Mid-Cost Producer with Increased Spending of \$100 Million

	Per Barrel	Barrels	Value (\$ million)	
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$62.00	150.0	\$9.3	
Total Annual Production/Value	\$62.00	54,750	\$3,394.5	
Royalty, Federal, and Other Barrels		(6,844)	(\$424.3)	
Taxable Barrels	\$62.00	47,906	\$2,970.2	
Transportation Costs	(\$10.07)		(\$482.5)	
Gross Value at Point of Production (GVPP)	\$51.93	47,906	\$2,487.7	
North Slope Lease Expenditures				
Deductible Operating Expenditures	(\$18.88)		(\$904.5)	
Deductible Capital Expenditures	(\$14.61)		(\$700.0)	
Total Deductible Lease Expenditures	(\$33.49)		(\$1,604.5)	
Production Tax Value (PTV)	\$18.44	47,906	\$883.2	
Production Tax			<u>Min Tax Floor</u>	<u>Net Tax</u>
Gross Value or Production Tax Value			\$2,487.7	\$883.2
Gross Value Reduction (GVR)			\$0.0	(\$124.4)
GVPP or PTV after GVR			\$2,487.7	\$758.8
Tax rate			4%	35%
Tax before credits			\$99.5	\$265.6
Higher of minimum tax floor or net tax	\$5.54	47,906	\$265.6	
GVR Per-taxable-barrel credits	\$0.00	11,977	\$0.0	
Non-GVR Per-taxable barrel credits	(\$4.62)	35,930	(\$166.1)	
Total Tax after credits	\$2.08	47,906	\$99.5	
<i>Net New Lease Expenditures Earned and Carried Forward</i>			\$0.0	

\$104.5 million additional lease expenditures

No reduction in tax due

No tax benefit from investment

This illustration is a stylized example assuming a hypothetical North Slope taxpayer for illustration purposes only.



Example 3: High-Cost Producer

	Per Barrel	Barrels	Value (\$ million)	
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$62.00	150.0	\$9.3	
Total Annual Production/Value	\$62.00	54,750	\$3,394.5	
Royalty, Federal, and Other Barrels		(6,844)	(\$424.3)	
Taxable Barrels	\$62.00	47,906	\$2,970.2	
Transportation Costs	(\$10.07)		(\$482.5)	
Gross Value at Point of Production (GVPP)	\$51.93	47,906	\$2,487.7	
North Slope Lease Expenditures				
Deductible Operating Expenditures	(\$20.87)		(\$1,000.0)	
Deductible Capital Expenditures	(\$31.05)		(\$1,487.7)	
Total Deductible Lease Expenditures	(\$51.93)		(\$2,487.7)	
Production Tax Value (PTV)	\$0.00	47,906	\$0.0	
Production Tax			<u>Min Tax Floor</u>	<u>Net Tax</u>
Gross Value or Production Tax Value			\$2,487.7	\$0.0
Gross Value Reduction (GVR)			\$0.0	\$0.0
GVPP or PTV after GVR			\$2,487.7	\$0.0
Tax rate			4%	35%
Tax before credits			\$99.5	\$0.0
Higher of minimum tax floor or net tax	\$2.08	47,906	\$99.5	
GVR Per-taxable-barrel credits	(\$5.00)	11,977	(\$59.9)	
Non-GVR Per-taxable barrel credits	\$0.00	35,930	\$0.0	
Total Tax after credits	\$0.83	47,906	\$39.6	
<i>Net New Lease Expenditures Earned and Carried Forward</i>			\$112.3	

Lease Expenditures Higher than Average

PTV = 0

GVR per barrel credits used to go below the minimum tax floor

Carry forwards earned



Net New Lease Expenditures Earned and Carried Forward

This illustration is a stylized example assuming a hypothetical North Slope taxpayer for illustration purposes only.

Example 3a: High-Cost Producer with Increased Spending of \$100 Million

	Per Barrel	Barrels	Value (\$ million)	
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$62.00	150.0	\$9.3	
Total Annual Production/Value	\$62.00	54,750	\$3,394.5	
Royalty, Federal, and Other Barrels		(6,844)	(\$424.3)	
Taxable Barrels	\$62.00	47,906	\$2,970.2	
Transportation Costs	(\$10.07)		(\$482.5)	
Gross Value at Point of Production (GVPP)	\$51.93	47,906	\$2,487.7	
North Slope Lease Expenditures				
Deductible Operating Expenditures	(\$20.97)		(\$1,004.5)	
Deductible Capital Expenditures	(\$30.96)		(\$1,483.2)	
Total Deductible Lease Expenditures	(\$51.93)		(\$2,487.7)	
Production Tax Value (PTV)	\$0.00	47,906	\$0.0	
Production Tax			<u>Min Tax Floor</u>	<u>Net Tax</u>
Gross Value or Production Tax Value			\$2,487.7	\$0.0
Gross Value Reduction (GVR)			\$0.0	\$0.0
GVPP or PTV after GVR			\$2,487.7	\$0.0
Tax rate			4%	35%
Tax before credits			\$99.5	\$0.0
Higher of minimum tax floor or net tax	\$2.08	47,906	\$99.5	
GVR Per-taxable-barrel credits	(\$5.00)	11,977	(\$59.9)	
Non-GVR Per-taxable barrel credits	\$0.00	35,930	\$0.0	
Total Tax after credits	\$0.83	47,906	\$39.6	
<i>Net New Lease Expenditures Earned and Carried Forward</i>			\$216.8	

\$104.5 million additional lease expenditures

No reduction in tax due because below minimum tax floor

Increased carry forwards for benefit of additional spend



Net New Lease Expenditures Earned and Carried Forward
 This illustration is a stylized example assuming a hypothetical North Slope taxpayer for illustration purposes only.

Example 4: New Entrant

	Per Barrel	Barrels	Value (\$ million)	
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$62.00	0.0	\$0.0	
Total Annual Production/Value	\$62.00	0	\$0.0	
Royalty, Federal, and Other Barrels		0	\$0.0	
Taxable Barrels	\$62.00	0	\$0.0	
Transportation Costs	\$0.00		\$0.0	
Gross Value at Point of Production (GVPP)	\$62.00	0	\$0.0	
North Slope Lease Expenditures				
Deductible Operating Expenditures	\$0.00		(\$45.0)	
Deductible Capital Expenditures	\$0.00		(\$1,000.0)	
Total Deductible Lease Expenditures	\$0.00		(\$1,045.0)	
Production Tax Value (PTV)	\$0.00	0	\$0.0	
Production Tax			<u>Min Tax Floor</u>	<u>Net Tax</u>
Gross Value or Production Tax Value			\$0.0	\$0.0
Gross Value Reduction (GVR)			\$0.0	\$0.0
GVPP or PTV after GVR			\$0.0	\$0.0
Tax rate			4%	35%
Tax before credits			\$0.0	\$0.0
Higher of minimum tax floor or net tax	\$0.00	0	\$0.0	
GVR Per-taxable-barrel credits	\$0.00	0	\$0.0	
Non-GVR Per-taxable barrel credits	\$0.00	0	\$0.0	
Total Tax after credits	\$0.00	0	\$0.0	
<i>Net New Lease Expenditures Earned and Carried Forward</i>			\$1,045.0	

Lease Expenditures from New Development

No current tax liability

Earns carry forwards to offset future tax

This illustration is a stylized example assuming a hypothetical North Slope taxpayer for illustration purposes only.



Example 4a: New Entrant With Increased Spending of \$100 Million

	Per Barrel	Barrels	Value (\$ million)	
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$62.00	0.0	\$0.0	
Total Annual Production/Value	\$62.00	0	\$0.0	
Royalty, Federal, and Other Barrels		0	\$0.0	
Taxable Barrels	\$62.00	0	\$0.0	
Transportation Costs	\$0.00		\$0.0	
Gross Value at Point of Production (GVPP)	\$62.00	0	\$0.0	
North Slope Lease Expenditures				
Deductible Operating Expenditures	\$0.00		(\$49.5)	
Deductible Capital Expenditures	\$0.00		(\$1,100.0)	
Total Deductible Lease Expenditures	\$0.00		(\$1,149.5)	
Production Tax Value (PTV)	\$0.00	0	\$0.0	
Production Tax			<u>Min Tax Floor</u>	<u>Net Tax</u>
Gross Value or Production Tax Value			\$0.0	\$0.0
Gross Value Reduction (GVR)			\$0.0	\$0.0
GVPP or PTV after GVR			\$0.0	\$0.0
Tax rate			4%	35%
Tax before credits			\$0.0	\$0.0
Higher of minimum tax floor or net tax	\$0.00	0	\$0.0	
GVR Per-taxable-barrel credits	\$0.00	0	\$0.0	
Non-GVR Per-taxable barrel credits	\$0.00	0	\$0.0	
Total Tax after credits	\$0.00	0	\$0.0	
<i>Net New Lease Expenditures Earned and Carried Forward</i>			\$1,149.5	

\$104.5 million additional spending

\$104.5 million more carried forwards

Potential 35% future tax benefit

This illustration is a stylized example assuming a hypothetical North Slope taxpayer for illustration purposes only.



Four Production Tax Situations

- **Low-cost producer:** Pays above minimum tax floor; receives full benefit of lease expenditures and per-taxable-barrel credits
- **Mid-cost producer:** Pays at minimum tax floor; may receive lesser or no benefit of lease expenditures and tax credits – the “Donut Hole”
- **High-cost producer:** Potentially pays below minimum tax floor with GVR per-taxable-barrel credits; may receive some future benefit for lease expenditures carried forward
- **New entrant:** Pays no tax; may receive some future benefit for lease expenditures carried forward



Gross Value Reduction

Gross Value Reduction (GVR): What is it and how does it work?

- GVR provides a temporary tax benefit to improve the economics of new production
- Applies to certain new North Slope production (new units, new participating areas, or added acreage)
- 20% of the value of production is excluded from the PTV calculation – no impact on minimum tax floor calculation
 - 30% if all leases are state-issued and have royalty rates above 12.5%
- Expires after 7 years of production, or after 3 years of oil prices over \$70 per barrel, whichever comes first
- Eligible production receives a \$5 per-taxable-barrel credit, in lieu of the \$0-8 sliding scale credit
- \$5 per-taxable-barrel credit for GVR oil can reduce liability below the minimum tax floor*, if producer does not use any sliding scale non-GVR per-taxable-barrel credits



**Can reduce liability to zero. Credits cannot apply against hazardous release surcharge or private landowner royalty tax.*

GVR in Various Spending Scenarios: Low-Cost Producer Without GVR

<i>Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)</i>	Per Barrel	Barrels	Value (\$ million)		
Total Annual Production/Value	\$62.00	150.0	\$9.3		
Royalty, Federal, and Other Barrels					
Taxable Barrels	\$62.00	54,750	\$3,394.5		
Transportation Costs		(6,844)	(\$424.3)		
Gross Value at Point of Production (GVPP)	\$62.00	47,906	\$2,970.2		
North Slope Lease Expenditures					
Deductible Operating Expenditures	(\$10.07)		(\$482.5)		
Deductible Capital Expenditures					
Total Deductible Lease Expenditures					
Production Tax Value (PTV)	\$51.93	47,906	\$2,487.7		
Production Tax					Applies all non-GVR credits
Gross Value or Production Tax Value	(\$14.61)		(\$700.0)		
Gross Value Reduction (GVR)	(\$4.17)		(\$200.0)		
GVPP or PTV after GVR	(\$18.79)	47,906	(\$900.0)		Paying above minimum tax floor after credits
Tax before credits	\$33.14	47,906	\$1,587.7		
			<u>Min Tax Floor</u>	<u>Net Tax</u>	
			\$2,487.7	\$1,587.7	
			\$0.0	\$0.0	
			\$2,487.7	\$1,587.7	
			4%	35%	
			\$99.5	\$555.7	
Higher of minimum tax floor or net tax	\$11.60	47,906	\$555.7		
GVR Per-taxable-barrel credits	\$0.00	0	\$0.0		
Non-GVR Per-taxable barrel credits	(\$8.00)	47,906	(\$383.3)		
Total Tax after credits	\$3.60	47,906	\$172.4		
<i>Net New Lease Expenditures Earned and Carried Forward</i>			\$0.0		



GVR in Various Spending Scenarios: Low-Cost Producer With GVR

	Per Barrel	Barrels	Value (\$ million)	
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$62.00	150.0	\$9.3	
Total Annual Production/Value	\$62.00	54,750	\$3,394.5	
Royalty, Federal, and Other Barrels		(6,844)	(\$424.3)	
Taxable Barrels	\$62.00	47,906	\$2,970.2	
Transportation Costs	(\$10.07)		(\$482.5)	
Gross Value at Point of Production (GVPP)	\$51.93	47,906	\$2,487.7	
North Slope Lease Expenditures				
Deductible Operating Expenditures	(\$14.61)		(\$700.0)	
Deductible Capital Expenditures	(\$4.17)		(\$200.0)	
Total Deductible Lease Expenditures	(\$18.79)		(\$900.0)	
Production Tax Value (PTV)	\$33.14	47,906	\$1,587.7	
Production Tax			<u>Min Tax Floor</u>	<u>Net Tax</u>
Gross Value or Production Tax Value			\$2,487.7	\$1,587.7
Gross Value Reduction (GVR)			\$0.0	(\$124.4)
GVPP or PTV after GVR			\$2,487.7	\$1,463.3
Tax rate			4%	35%
Tax before credits			\$99.5	\$512.2
Higher of minimum tax floor or net tax	\$10.69	47,906	\$512.2	
GVR Per-taxable-barrel credits	(\$5.00)	11,977	(\$59.9)	
Non-GVR Per-taxable barrel credits	(\$8.00)	35,930	(\$287.4)	
Total Tax after credits	\$3.44	47,906	\$164.8	
<i>Net New Lease Expenditures Earned and Carried Forward</i>			\$0.0	

Uses all credits available

Paying above minimum tax floor after credits

Lower tax liability partly offset by lower credits



GVR in Various Spending Scenarios: Mid-Cost Producer, Without GVR

<i>Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)</i>	Per Barrel	Barrels	Value (\$ million)		
Total Annual Production/Value	\$62.00	150.0	\$9.3		
Royalty, Federal, and Other Barrels	\$62.00	54,750	\$3,394.5		
Taxable Barrels		(6,844)	(\$424.3)		
Transportation Costs	\$62.00	47,906	\$2,970.2		
Gross Value at Point of Production (GVPP)			(\$482.5)		
North Slope Lease Expenditures	\$51.93	47,906	\$2,487.7		
Deductible Operating Expenditures			(\$18.79)		
Deductible Capital Expenditures			(\$12.52)		
Total Deductible Lease Expenditures			(\$31.31)		
Production Tax Value (PTV)	\$20.62	47,906	\$987.7		Partial non-GVR credits applied
Production Tax			<u>Min Tax Floor</u>	<u>Net Tax</u>	
Gross Value or Production Tax Value			\$2,487.7	\$987.7	Paying at minimum tax floor after credits
Gross Value Reduction (GVR)			\$0.0	\$0.0	
GVPP or PTV after GVR			\$2,487.7	\$987.7	
Tax rate			4%	35%	
Tax before credits			\$99.5	\$345.7	
Higher of minimum tax floor or net tax	\$7.22	47,906	\$345.7		
GVR Per-taxable-barrel credits	\$0.00	0	\$0.0		
Non-GVR Per-taxable barrel credits		47,906	(\$246.2)		
Total Tax after credits	\$2.08	47,906	\$99.5		
<i>Net New Lease Expenditures Earned and Carried Forward</i>			\$0.0		



GVR in Various Spending Scenarios: Mid-Cost Producer, With GVR

<i>Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)</i>	Per Barrel	Barrels	Value (\$ million)	
Total Annual Production/Value	\$62.00	150.0	\$9.3	
Royalty, Federal, and Other Barrels				
Taxable Barrels	\$62.00	54,750	\$3,394.5	
Transportation Costs		(6,844)	(\$424.3)	
Gross Value at Point of Production (GVPP)	\$62.00	47,906	\$2,970.2	
North Slope Lease Expenditures				
Deductible Operating Expenditures	(\$10.07)		(\$482.5)	
Deductible Capital Expenditures				
Total Deductible Lease Expenditures				
Production Tax Value (PTV)	\$51.93	47,906	\$2,487.7	
Production Tax				
Gross Value or Production Tax Value			Min Tax Floor	Net Tax
Gross Value Reduction (GVR)	(\$18.79)		\$2,487.7	\$987.7
GVPP or PTV after GVR	(\$12.52)		\$0.0	(\$124.4)
Tax rate	(\$31.31)		\$2,487.7	\$863.3
Tax before credits	\$20.62	47,906	4%	35%
Higher of minimum tax floor or net tax			\$99.5	\$302.2
GVR Per-taxable-barrel credits				
Non-GVR Per-taxable barrel credits				
Total Tax after credits	\$6.31	47,906	\$302.2	
<i>Net New Lease Expenditures Earned and Carried Forward</i>	\$0.00	11,977	\$0.0	
	(\$5.64)	35,930	(\$202.7)	
	\$2.08	47,906	\$99.5	
			\$0.0	

No impact from GVR

Still uses non-GVR credits, partial applied

Paying at minimum tax floor after credits



GVR in Various Spending Scenarios: High-Cost Producer, Without GVR

<i>Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)</i>	Per Barrel	Barrels	Value (\$ million)	
Total Annual Production/Value	\$62.00	150.0	\$9.3	
Royalty, Federal, and Other Barrels				
Taxable Barrels	\$62.00	54,750	\$3,394.5	
Transportation Costs		(6,844)	(\$424.3)	
Gross Value at Point of Production (GVPP)	\$62.00	47,906	\$2,970.2	
North Slope Lease Expenditures				
Deductible Operating Expenditures	(\$10.07)		(\$482.5)	
Deductible Capital Expenditures				
Total Deductible Lease Expenditures				
Production Tax Value (PTV)	\$51.93	47,906	\$2,487.7	
Production Tax				
Gross Value or Production Tax Value	(\$20.87)		(\$1,000.0)	
Gross Value Reduction (GVR)	(\$31.05)		(\$1,487.7)	
GVPP or PTV after GVR	(\$51.93)	47,906	(\$2,487.7)	
Tax rate	\$0.00	47,906	\$0.0	
Tax before credits			<u>Min Tax Floor</u>	<u>Net Tax</u>
			\$2,487.7	\$0.0
			\$0.0	\$0.0
			\$2,487.7	\$0.0
			4%	35%
			\$99.5	\$0.0
Higher of minimum tax floor or net tax	\$2.08	47,906	\$99.5	
GVR Per-taxable-barrel credits	\$0.00	0	\$0.0	
Non-GVR Per-taxable barrel credits	\$0.00	47,906	\$0.0	
Total Tax after credits	\$2.08	47,906	\$99.5	
<i>Net New Lease Expenditures Earned and Carried Forward</i>			\$112.3	

No credits applied

Paying at minimum tax floor



GVR in Various Spending Scenarios: High-Cost Producer, With GVR

<i>Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)</i>	Per Barrel	Barrels	Value (\$ million)	
Total Annual Production/Value	\$62.00	150.0	\$9.3	
Royalty, Federal, and Other Barrels				
Taxable Barrels	\$62.00	54,750	\$3,394.5	
Transportation Costs		(6,844)	(\$424.3)	
Gross Value at Point of Production (GVPP)	\$62.00	47,906	\$2,970.2	
North Slope Lease Expenditures				
Deductible Operating Expenditures	(\$10.07)		(\$482.5)	
Deductible Capital Expenditures				
Total Deductible Lease Expenditures				
Production Tax Value (PTV)	\$51.93	47,906	\$2,487.7	
Production Tax				
Gross Value or Production Tax Value			Min Tax Floor	Net Tax
Gross Value Reduction (GVR)	(\$20.87)		\$2,487.7	\$0.0
GVPP or PTV after GVR	(\$31.05)		\$0.0	\$0.0
Tax rate	(\$51.93)		\$2,487.7	\$0.0
Tax before credits	\$0.00	47,906	4%	35%
Higher of minimum tax floor or net tax			\$99.5	\$0.0
GVR Per-taxable-barrel credits				
Non-GVR Per-taxable barrel credits				
Total Tax after credits	\$2.08	47,906	\$99.5	
<i>Net New Lease Expenditures Earned and Carried Forward</i>	(\$5.00)	11,977	(\$59.9)	
	\$0.00	35,930	\$0.0	
	\$0.83	47,906	\$39.6	
			\$112.3	

Foregoes non-GVR credits, uses GVR credits

Paying below minimum tax floor after credits



GVR vs Non-GVR: Production

Historical North Slope Daily Production by Fiscal Year (Thousand Barrels)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total ANS Production	514.7	526.4	518.5	495.0	471.8	486.1	476.4	479.4	461.0	468.0
Non-GVR Production	477.5	488.5	485.0	461.4	436.3	454.3	436.4	445.1	440.9	453.1
GVR-Eligible Production	37.1	37.9	33.5	33.6	35.4	31.7	40.1	34.3	20.0	14.9
% GVR Production	7%	7%	6%	7%	8%	7%	8%	7%	4%	3%

Forecast North Slope Daily Production by Fiscal Year (Thousand Barrels)

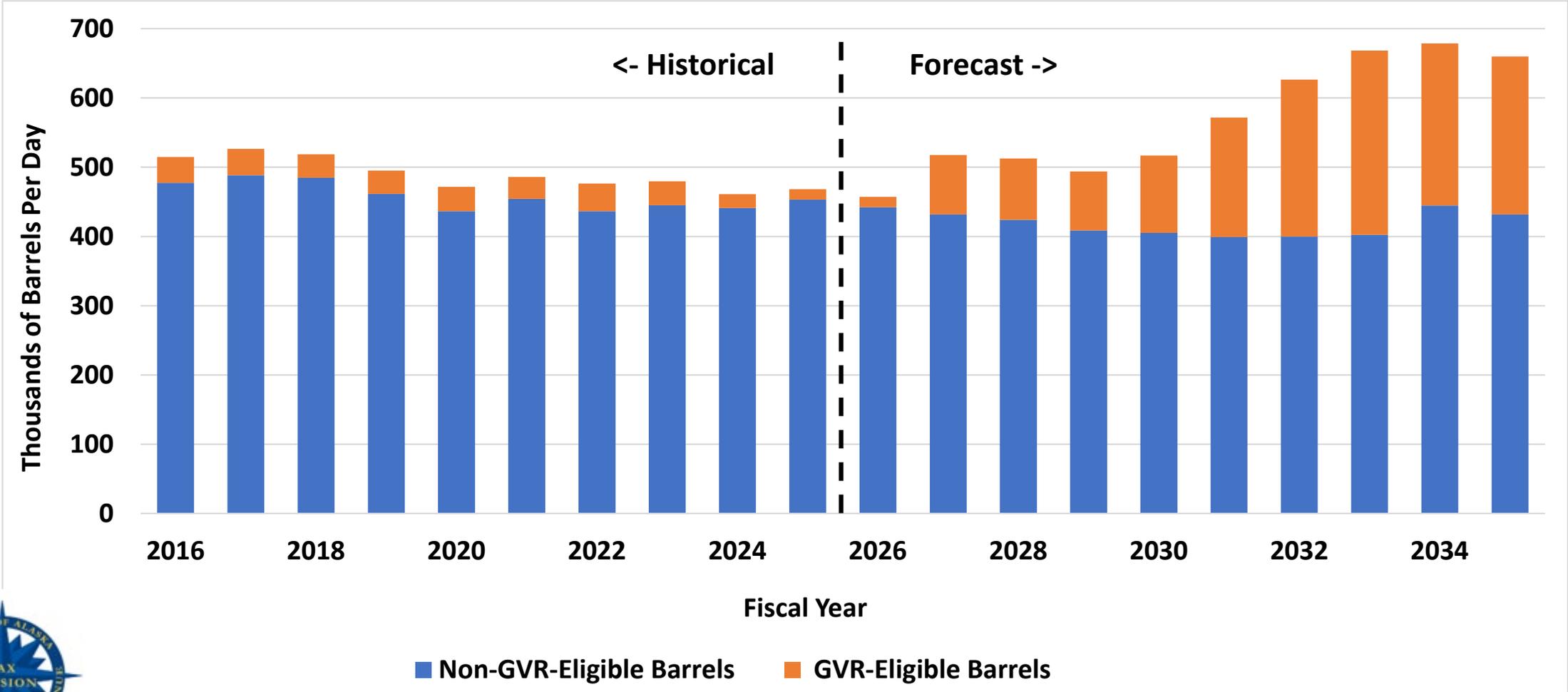
	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Total ANS Production	457.0	517.8	512.5	493.8	517.0	571.8	626.5	668.4	678.8	659.9
Non-GVR Production	442.1	431.9	424.0	408.6	405.0	399.1	400.0	402.2	444.8	431.7
GVR-Eligible Production	14.9	85.9	88.6	85.2	112.0	172.7	226.5	266.3	234.0	228.2
% GVR Production	3%	17%	17%	17%	22%	30%	36%	40%	34%	35%



Source: Historical production (FY2016 - FY2025) from past Revenue Sources Books, with GVR and non-GVR eligibility based on annual and monthly tax return data; forecast production (FY2026 - FY2035) from the DOR Fall 2025 Forecast.

GVR vs Non-GVR: Production

Historical & Forecast North Slope Production by Fiscal Year (Thousand Barrels Per Day)



Source: Historical production (FY2016 - FY2025) from past Revenue Sources Books, with GVR and non-GVR eligibility based on annual and monthly tax return data; forecast production (FY2026 - FY2035) from the DOR Fall 2025 Forecast.

GVR vs Non-GVR: Lease Expenditures

Historical North Slope Lease Expenditures by Fiscal Year (\$ Millions)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total ANS Expenditures	\$6,324	\$4,689	\$4,470	\$4,976	\$4,910	\$4,199	\$4,180	\$5,200	\$7,058	\$8,659
Producing Non-GVR Eligible	\$4,686	\$3,944	\$3,755	\$3,893	\$3,639	\$2,942	\$2,929	\$3,575	\$4,414	\$5,049
GVR-Eligible	\$1,638	\$744	\$715	\$1,082	\$1,271	\$1,257	\$1,251	\$1,625	\$2,644	\$3,611
% GVR-Eligible	26%	16%	16%	22%	26%	30%	30%	31%	37%	42%

Forecast North Slope Lease Expenditures by Fiscal Year (\$ Millions)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Total ANS Expenditures	\$8,238	\$8,172	\$8,140	\$7,172	\$7,077	\$7,357	\$7,560	\$7,919	\$8,039	\$7,682
Producing Non-GVR Eligible	\$4,931	\$5,382	\$5,225	\$5,188	\$5,261	\$5,333	\$5,570	\$5,709	\$5,874	\$5,562
GVR-Eligible	\$3,307	\$2,791	\$2,915	\$1,984	\$1,816	\$2,024	\$1,990	\$2,209	\$2,165	\$2,121
% GVR-Eligible	40%	34%	36%	28%	26%	28%	26%	28%	27%	28%

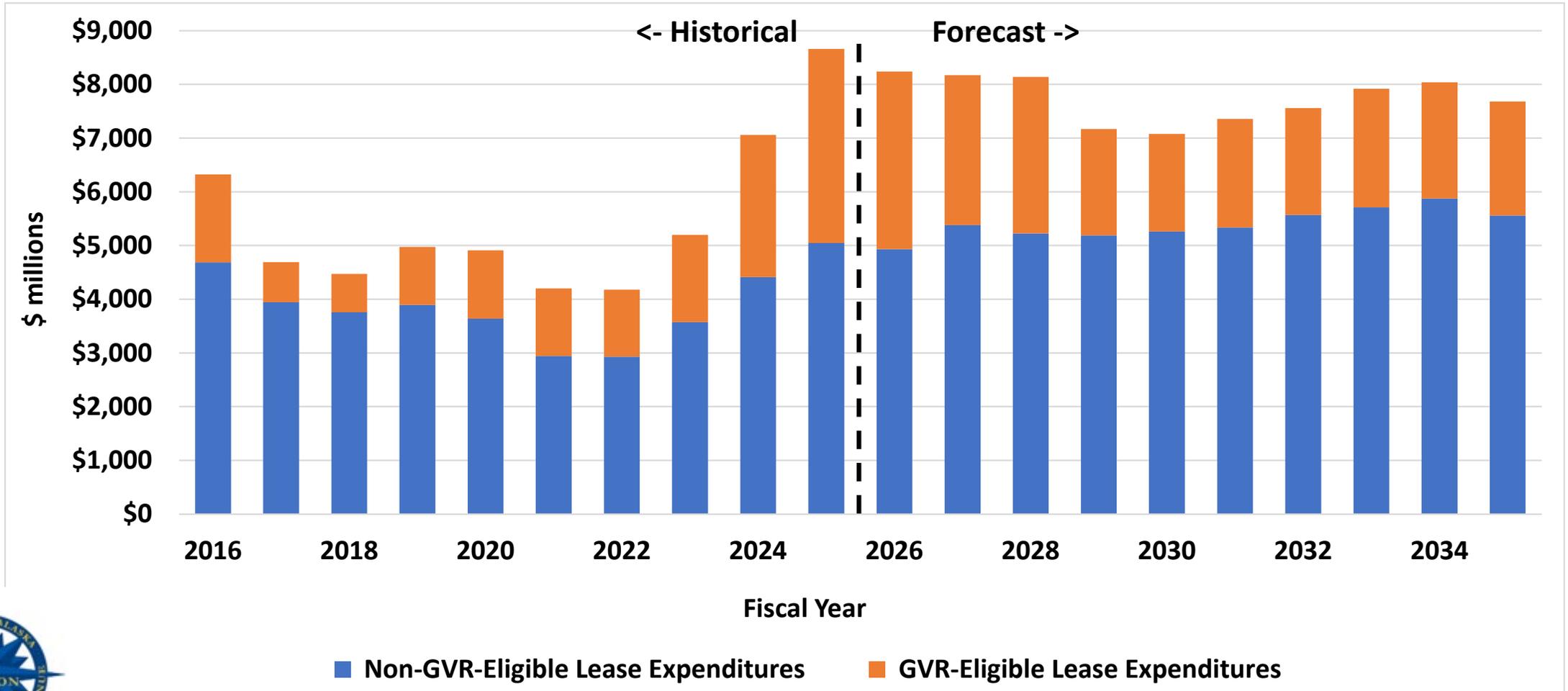
Note: Non-GVR Eligible lease expenditures are those associated with participating areas that do not currently have or are not forecasted to have GVR production in future years. GVR-Eligible expenditures are those from participated areas that either currently have GVR production or are forecasted to have GVR production in future years.

Source: Historical lease expenditures (FY2016 - FY2025) from past Revenue Sources Books; forecast data (FY2026 - FY2035) from the DOR Fall 2025 Forecast.



GVR vs Non-GVR: Lease Expenditures

Historical & Forecast North Slope Lease Expenditures by Fiscal Year (\$MM)



Source: Historical lease expenditures (FY2016 - FY2025) from past Revenue Sources Books; forecast data (FY2026 - FY2035) from the DOR Fall 2025 Forecast.

GVR vs Non-GVR: Production Tax Revenue Historical & Forecast

Historical North Slope Production Tax Revenue by Fiscal Year (\$ Millions)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
ANS Production Tax	\$175	\$126	\$739	\$585	\$277	\$381	\$1,799	\$1,491	\$974	\$634
Estimated Tax w/o GVR	\$181	\$134	\$748	\$602	\$299	\$395	\$1,859	\$1,528	\$981	\$642
Tax Benefit of GVR	\$6	\$9	\$9	\$17	\$21	\$14	\$61	\$36	\$7	\$8
% Reduction in Tax from GVR	-3%	-6%	-1%	-3%	-7%	-4%	-3%	-2%	-1%	-1%

Forecast North Slope Production Tax Revenue by Fiscal Year (\$ Millions)

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
ANS Production Tax	\$314	\$283	\$284	\$281	\$256	\$221	\$212	\$221	\$227	\$245
Estimated Tax w/o GVR	\$326	\$345	\$352	\$347	\$367	\$420	\$478	\$535	\$551	\$555
Tax Benefit of GVR	\$12	\$63	\$68	\$67	\$112	\$199	\$266	\$314	\$323	\$310
% Reduction in Tax from GVR	-4%	-18%	-19%	-19%	-30%	-47%	-56%	-59%	-59%	-56%

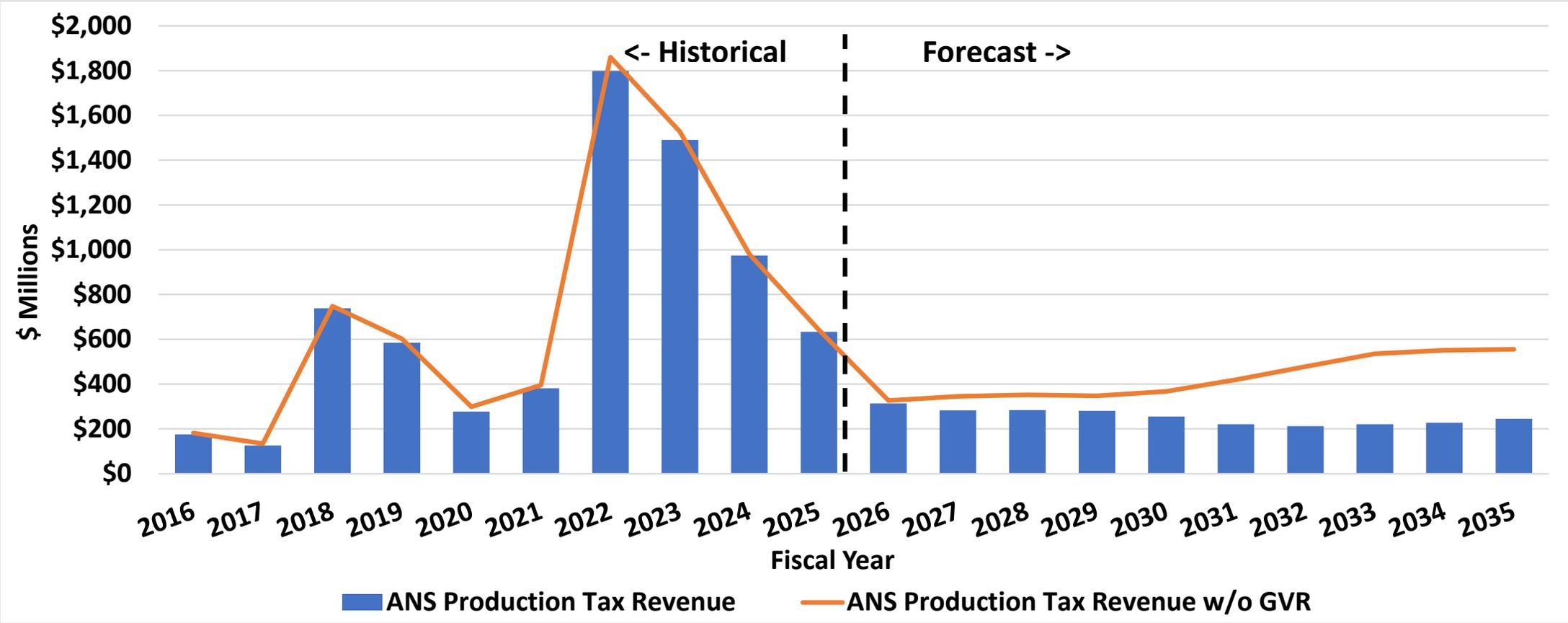
Note: The estimated tax change without GVR includes both the removal of PTV reduction and the tax credits. Ability to apply those credits to go below the minimum tax floor are the primary reason for the reduced tax revenue.

Source: ANS production tax revenue for FY2016–FY2025 from annual and monthly tax return data; FY2026–FY2035 from the DOR Fall 2025 Forecast. Estimates of production tax revenue without GVR were calculated using internal production tax models for historical years and the Fall 2025 forecast model for forecast years.



GVR vs Non-GVR: Production Tax Revenue Historical & Forecast

Historical & Forecast North Slope Production Tax Revenue by Fiscal Year, With & Without GVR



Note: The estimated tax change without GVR includes both the removal of PTV reduction and the tax credits. Ability to apply those credits to go below the minimum tax floor are the primary reason for the reduced tax revenue.

Source: ANS production tax revenue for FY2016–FY2025 from annual and monthly tax return data; FY2026–FY2035 from the DOR Fall 2025 Forecast. Estimates of production tax revenue without GVR were calculated using internal production tax models for historical years and the Fall 2025 forecast model for forecast years.

GVR Observations

- Producers with different spending and cost structures experience different impacts under GVR
 - Producers above the minimum tax floor may reduced liability when GVR applies – but the benefits are partly offset by lower tax credit value
 - Producers at the minimum tax floor may see no impact from GVR
 - Producers paying below the minimum tax floor can see further reductions in liability when GVR applies
- At forecast prices, the tax impact of GVR in the Fall 2025 Forecast primarily comes from the soft floor, not from the 20% or 30% GVR reduction itself
- Larger share of GVR-eligible production as Pikka and Willow come online, peaking in FY2033



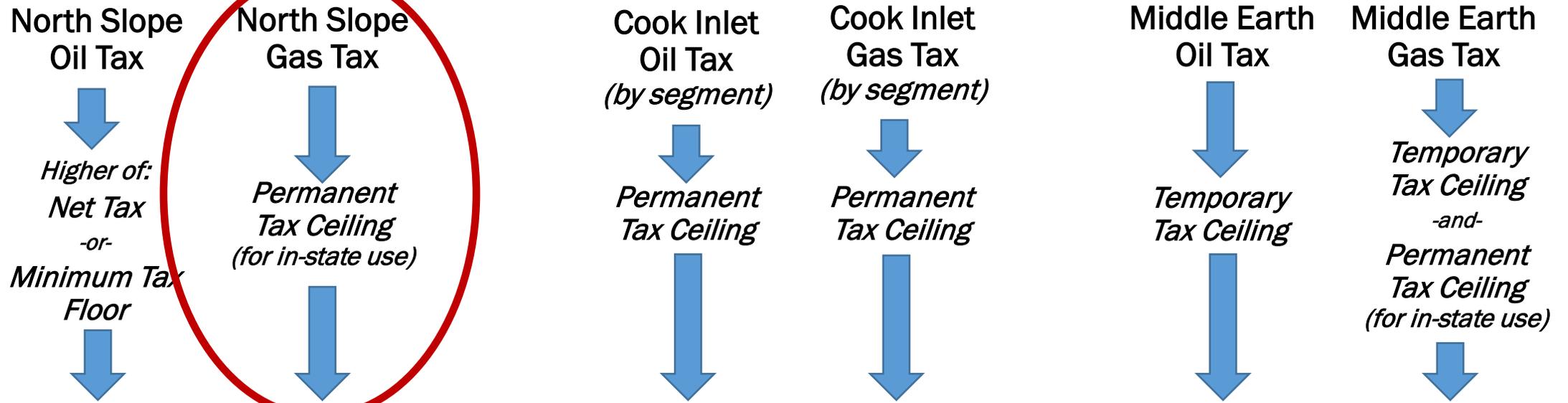
North Slope Gas Production Tax

North Slope Gas Production Tax

- 13% Tax on Gross Value at Point of Production (GVPP)
 - took effect January 1, 2022; previously was part of the 35% net tax calculation
- 17.7 cents per mcf tax ceiling on gas used in state only
- Gas tax is calculated independently of the oil tax, including tax ceiling, before credits
- Oil tax is also calculated independently, including tax floor, before credits
- No tax credits generated for gas production
- All lease expenditures are applied in the oil tax calculation
- Minimum tax floor and tax credits (based on oil production, not gas) are applied to the statewide tax calculation (with both oil and gas included)



Oil and Gas Production Tax – Statewide Tax Calculation



Statewide Tax Before Credits = Sum of Individual “Segments”



Minimum Tax Floor
(based on North Slope Oil value)



Tax = Higher of Statewide tax less credits or minimum tax floor



Tax = Statewide tax less credits (Tax can go to zero)



Standalone Gas Tax Gas Sold Out-of-State

	Per Mcf	MMcf	Value (\$ million)
<i>Avg ANS Gas Price (\$/Mcf) & Daily Prod. (MMcf)</i>	\$1.50	250.0	\$0.4
Total Annual Production/Value	\$1.50	91,250	\$136.9
Gas used in operations		(6,367)	(\$9.6)
Royalty, Federal, and Other Gas		(11,406)	(\$17.1)
Gross Value at Point of Production (GVPP)	\$1.50	73,477	\$110.2
Tax Rate (applied to GVPP)			13%
Gross Production Tax	\$0.20	73,477	\$14.3
Gas Production Tax	\$0.195	73,477	\$14.3
<i>Total Lease Expenditures</i>	<i>\$0.55</i>		<i>\$50.0</i>



Standalone Gas Tax for Gas Sold in-State

<i>Avg ANS Gas Price (\$/Mcf) & Daily Prod. (MMcf)</i>	\$1.50	250.0	\$0.4
Total Annual Production/Value	\$1.50	91,250	\$136.9
Gas used in operations		(6,367)	(\$9.6)
Royalty, Federal, and Other Gas		(11,406)	(\$17.1)
Gross Value at Point of Production (GVPP)	\$1.50	73,477	\$110.2
Tax Rate (applied to GVPP)			13%
Gross Production Tax Before Ceiling	\$0.20	73,477	\$14.3
Tax Ceiling	\$0.177		\$13.0
Gas Production Tax	\$0.177	73,477	\$13.0
<i>Total Lease Expenditures</i>	<i>\$0.55</i>		<i>\$50.0</i>



Standalone Gas Tax for Gas Sold Both in-State & Out of State

	Per Mcf	MMcf	Value (\$ million)
<i>Avg ANS Gas Price (\$/Mcf) & Daily Prod. (MMcf)</i>	\$1.50	250.0	\$0.4
Total Annual Production/Value	\$1.50	91,250	\$136.9
Gas used in operations		(6,367)	(\$9.6)
Royalty, Federal, and Other Gas		(11,406)	(\$17.1)
Gross Value at Point of Production (GVPP)	\$1.50	73,477	\$110.2
Tax Rate (applied to GVPP)			13%
GVPP for In-State Sales	\$1.50	36,739	\$55.1
Gross Production Tax Before Ceiling	\$0.20		\$7.2
Tax Ceiling	\$0.177		\$6.5
Production Tax on Gas Sold In-State	\$0.177	36,739	\$6.5
GVPP for Out-of-State Sales	\$1.50	36,739	\$55.1
Gross Production Tax	\$0.20		\$7.2
Production Tax on Gas Sold Out-of-State	\$0.20	36,739	\$7.2
Gas Production Tax	\$0.19	73,477	\$13.7
<i>Total Lease Expenditures</i>	<i>\$0.55</i>		<i>\$50.0</i>



Mid-Cost Producer : Oil Tax Without Gas

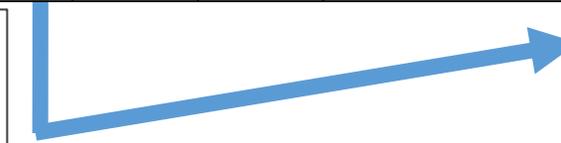
	Per Barrel	Barrels	Value (\$ million)	
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$62.00	150.0	\$9.3	
Total Annual Production/Value	\$62.00	54,750	\$3,394.5	
Royalty, Federal, and Other Barrels		(6,844)	(\$424.3)	
Taxable Barrels	\$62.00	47,906	\$2,970.2	
Transportation Costs	(\$10.07)		(\$482.5)	
Gross Value at Point of Production (GVPP)	\$51.93	47,906	\$2,487.7	
North Slope Lease Expenditures				
Deductible Operating Expenditures	(\$18.79)		(\$900.0)	
Deductible Capital Expenditures	(\$12.52)		(\$600.0)	
Total Deductible Lease Expenditures	(\$31.31)		(\$1,500.0)	
Production Tax Value (PTV)	\$20.62	47,906	\$987.7	
Production Tax			<u>Min Tax Floor</u>	<u>Net Tax</u>
Gross Value or Production Tax Value			\$2,487.7	\$987.7
Gross Value Reduction (GVR)			\$0.0	(\$124.4)
GVPP or PTV after GVR			\$2,487.7	\$863.3
Tax rate			4%	35%
Tax before credits			\$99.5	\$302.2
Higher of minimum tax floor or net tax	\$6.31	47,906	\$302.2	
GVR Per-taxable-barrel credits	\$0.00	11,977	\$0.0	
Non-GVR Per-taxable barrel credits	(\$5.64)	35,930	(\$202.7)	
Total Tax after credits	\$2.08	47,906	\$99.5	
<i>Net New Lease Expenditures Earned and Carried Forward</i>			\$0.0	



Mid-Cost Producer - Oil & Gas Combined

<i>Avg ANS Gas Price (\$/Mcf) & Daily Prod. (MMcf)</i>	Per Mcf	MMcf	Value (\$ million)
	\$1.50	250.0	\$0.4
Total Annual Production/Value	\$1.50	91,250	\$136.9
Gas used in operations		(6,367)	(\$9.6)
Royalty, Federal, and Other Gas		(11,406)	(\$17.1)
Gross Value at Point of Production (GVPP)	\$1.50	73,477	\$110.2
Tax Rate (applied to GVPP)			13%
GVPP for In-State Sales	\$1.50	36,739	\$55.1
Gross Production Tax Before Ceiling	\$0.20		\$7.2
Tax Ceiling	\$0.177		\$6.5
Production Tax on Gas Sold In-State	\$0.177	36,739	\$6.5
GVPP for Out-of-State Sales	\$1.50	36,739	\$55.1
Gross Production Tax	\$0.20		\$7.2
Production Tax on Gas Sold Out-of-State	\$0.20	36,739	\$7.2
Gas Production Tax	\$0.19	73,477	\$13.7
Total Lease Expenditures	\$0.55		\$50.0

Lease expenditures applied in oil tax calculation



	Per BOE	BOEs	Value (\$ million)
Gas Production Tax	\$1.12	12,246	\$13.7
Oil Production Tax Before Credits	\$5.94	47,906	\$284.7
Total Oil & Gas Production Tax Before Credits	\$4.96	60,152	\$298.3
Higher of minimum tax floor or net tax			\$298.3
Minimum Tax Floor			\$99.5
Per-Taxable-Barrel Credits			
GVR Per-taxable-barrel credits	\$0.00	11,977	\$0.0
Non-GVR Per-taxable barrel credits	(\$5.53)	35,930	(\$198.8)
Total Tax after credits	\$1.65	60,152	\$99.5
<i>Net New Lease Expenditures Earned and Carried Forward</i>			\$0.0

<i>Avg ANS Oil Price (\$/bbl) & Daily Prod. (ths bbls)</i>	Per Barrel	Barrels	Value (\$ million)
	\$62.00	150.0	\$9.3
Royalty, Federal, and Other Barrels		(6,844)	(\$424.3)
Taxable Barrels	\$62.00	47,906	\$2,970.2
Downstream (Transportation) Costs (\$/bbl)	(\$10.07)		(\$482.5)
Gross Value at Point of Production (GVPP)	\$51.93	47,906	\$2,487.7
North Slope Lease Expenditures			
Deductible Operating Expenditures	(\$18.79)		(\$900.0)
Deductible Capital Expenditures	(\$12.52)		(\$600.0)
Deductible Gas Expenditures	(\$4.08)		(\$50.0)
Total Deductible Lease Expenditures	(\$31.31)		(\$1,550.0)
Production Tax Value (PTV)	\$19.57	47,906	\$937.7
Production Tax			
Gross Value or Production Tax Value			\$2,487.7
Gross Value Reduction (GVR)			\$0.0
GVPP or PTV after GVR			\$2,487.7
Tax rate			4%
Tax before credits			\$99.5
Higher of minimum tax floor or net tax	\$5.94	47,906	\$284.7

Reduced PTV after applying gas expenditures

No impact to tax liability, at minimum tax floor before and after adding gas



Low-Cost Producer : Oil Tax Without Gas

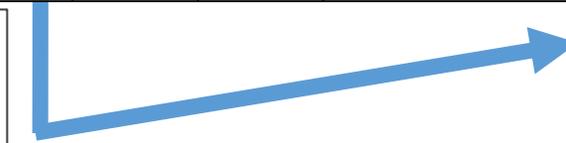
	Per Barrel	Barrels	Value (\$ million)	
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$62.00	150.0	\$9.3	
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Royalty, Federal, and Other Barrels		(6,844)	(\$424.3)	
Taxable Barrels	\$62.00	47,906	\$2,970.2	
Transportation Costs	(\$10.07)		(\$482.5)	
Gross Value at Point of Production (GVPP)	\$51.93	47,906	\$2,487.7	
North Slope Lease Expenditures				
Deductible Operating Expenditures	(\$14.61)		(\$700.0)	
Deductible Capital Expenditures	(\$4.17)		(\$200.0)	
Total Deductible Lease Expenditures	(\$18.79)		(\$900.0)	
Production Tax Value (PTV)	\$33.14	47,906	\$1,587.7	
Production Tax			<u>Min Tax Floor</u>	<u>Net Tax</u>
Gross Value or Production Tax Value			\$2,487.7	\$1,587.7
Gross Value Reduction (GVR)			\$0.0	(\$124.4)
GVPP or PTV after GVR			\$2,487.7	\$1,463.3
Tax rate			4%	35%
Tax before credits			\$99.5	\$512.2
Higher of minimum tax floor or net tax	\$10.69	47,906	\$512.2	
GVR Per-taxable-barrel credits	(\$5.00)	11,977	(\$59.9)	
Non-GVR Per-taxable barrel credits	(\$8.00)	35,930	(\$287.4)	
Total Tax after credits	\$3.44	47,906	\$164.8	
<i>Net New Lease Expenditures Earned and Carried Forward</i>			\$0.0	



Low-Cost Producer - Oil & Gas Combined

	Per Mcf	MMcf	Value (\$ million)
Avg ANS Gas Price (\$/Mcf) & Daily Prod. (MMcf)	\$1.50	250.0	\$0.4
Total Annual Production/Value	\$1.50	91,250	\$136.9
Gas used in operations		(6,367)	(\$9.6)
Royalty, Federal, and Other Gas		(11,406)	(\$17.1)
Gross Value at Point of Production (GVPP)	\$1.50	73,477	\$110.2
Tax Rate (applied to GVPP)			13%
GVPP for In-State Sales	\$1.50	36,739	\$55.1
Gross Production Tax Before Ceiling	\$0.20		\$7.2
Tax Ceiling	\$0.177		\$6.5
Production Tax on Gas Sold In-State	\$0.177	36,739	\$6.5
GVPP for Out-of-State Sales	\$1.50	36,739	\$55.1
Gross Production Tax	\$0.20		\$7.2
Production Tax on Gas Sold Out-of-State	\$0.20	36,739	\$7.2
Gas Production Tax	\$0.19	73,477	\$13.7
Total Lease Expenditures	\$0.55		\$50.0

Lease expenditures applied in oil tax calculation



	Per BOE	BOEs	Value (\$ million)
Gas Production Tax	\$1.12	12,246	\$13.7
Oil Production Tax Before Credits	\$10.33	47,906	\$494.7
Total Oil & Gas Production Tax Before Credits	\$8.45	60,152	\$508.3
Higher of minimum tax floor or net tax			\$508.3
Minimum Tax Floor			\$99.5
Per-Taxable-Barrel Credits			
GVR Per-taxable-barrel credits	(\$5.00)	11,977	(\$59.9)
Non-GVR Per-taxable barrel credits	(\$8.00)	35,930	(\$287.4)
Total Tax after credits	\$2.68	60,152	\$161.0
<i>Net New Lease Expenditures Earned and Carried Forward</i>			<i>\$0.0</i>

	Per Barrel	Barrels	Value (\$ million)
Avg ANS Oil Price (\$/bbl) & Daily Prod. (ths bbls)	\$62.00	150.0	\$9.3
Royalty, Federal, and Other Barrels		(6,844)	(\$424.3)
Taxable Barrels	\$62.00	47,906	\$2,970.2
Downstream (Transportation) Costs (\$/bbl)	(\$10.07)		(\$482.5)
Gross Value at Point of Production (GVPP)	\$51.93	47,906	\$2,487.7
North Slope Lease Expenditures			
Deductible Operating Expenditures	(\$14.61)		(\$700.0)
Deductible Capital Expenditures	(\$4.17)		(\$200.0)
Deductible Gas Expenditures	(\$4.08)		(\$50.0)
Total Deductible Lease Expenditures	(\$18.79)		(\$950.0)
Production Tax Value (PTV)	\$32.10	47,906	\$1,537.7
Production Tax			
Gross Value or Production Tax Value			Floor \$2,487.7
Gross Value Reduction (GVR)			Net Tax \$1,537.7
GVPP or PTV after GVR			\$0.0 (\$124.4)
			\$2,487.7 \$1,413.3
Tax rate			4% 35%
Tax before credits			\$99.5 \$494.7
Higher of minimum tax floor or net tax	\$10.33	47,906	\$494.7

Reduced PTV after applying gas expenditures

Lower tax liability after adding gas – reduced PTV more than offsets added gas tax



High-Cost Producer : Oil Tax Without Gas

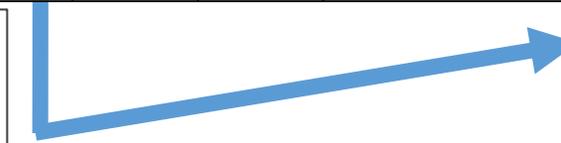
	Per Barrel	Barrels	Value (\$ million)	
Avg ANS Oil Price (\$/bbl) & Daily Production (ths bbls)	\$62.00	150.0	\$9.3	
Total Annual Production/Value	\$62.00	54,750	\$3,394.5	
Royalty, Federal, and Other Barrels		(6,844)	(\$424.3)	
Taxable Barrels	\$62.00	47,906	\$2,970.2	
Transportation Costs	(\$10.07)		(\$482.5)	
Gross Value at Point of Production (GVPP)	\$51.93	47,906	\$2,487.7	
North Slope Lease Expenditures				
Deductible Operating Expenditures	(\$20.87)		(\$1,000.0)	
Deductible Capital Expenditures	(\$31.05)		(\$1,487.7)	
Total Deductible Lease Expenditures	(\$51.93)		(\$2,487.7)	
Production Tax Value (PTV)	\$0.00	47,906	\$0.0	
Production Tax			<u>Min Tax Floor</u>	<u>Net Tax</u>
Gross Value or Production Tax Value			\$2,487.7	\$0.0
Gross Value Reduction (GVR)			\$0.0	\$0.0
GVPP or PTV after GVR			\$2,487.7	\$0.0
Tax rate			4%	35%
Tax before credits			\$99.5	\$0.0
Higher of minimum tax floor or net tax	\$2.08	47,906	\$99.5	
GVR Per-taxable-barrel credits	(\$5.00)	11,977	(\$59.9)	
Non-GVR Per-taxable barrel credits	\$0.00	35,930	\$0.0	
Total Tax after credits	\$0.83	47,906	\$39.6	
<i>Net New Lease Expenditures Earned and Carried Forward</i>			\$112.3	



High-Cost Producer - Oil & Gas Combined

	Per Mcf	MMcf	Value (\$ million)
<i>Avg ANS Gas Price (\$/Mcf) & Daily Prod. (MMcf)</i>	\$1.50	250.0	\$0.4
Total Annual Production/Value	\$1.50	91,250	\$136.9
Gas used in operations		(6,367)	(\$9.6)
Royalty, Federal, and Other Gas		(11,406)	(\$17.1)
Gross Value at Point of Production (GVPP)	\$1.50	73,477	\$110.2
Tax Rate (applied to GVPP)			13%
GVPP for In-State Sales	\$1.50	36,739	\$55.1
Gross Production Tax Before Ceiling	\$0.20		\$7.2
Tax Ceiling	\$0.177		\$6.5
Production Tax on Gas Sold In-State	\$0.177	36,739	\$6.5
GVPP for Out-of-State Sales	\$1.50	36,739	\$55.1
Gross Production Tax	\$0.20		\$7.2
Production Tax on Gas Sold Out-of-State	\$0.20	36,739	\$7.2
Gas Production Tax	\$0.19	73,477	\$13.7
Total Lease Expenditures	\$0.55		\$50.0

Lease expenditures applied in oil tax calculation



	Per BOE	BOEs	Value (\$ million)
Gas Production Tax	\$1.12	12,246	\$13.7
Oil Production Tax Before Credits	\$2.08	47,906	\$99.5
Total Oil & Gas Production Tax Before Credits	\$1.88	60,152	\$113.2
Higher of minimum tax floor or net tax			\$113.2
Minimum Tax Floor			\$99.5
Per-Taxable-Barrel Credits			
GVR Per-taxable-barrel credits	(\$5.00)	11,977	(\$59.9)
Non-GVR Per-taxable barrel credits	\$0.00	35,930	\$0.0
Total Tax after credits	\$0.89	60,152	\$53.3
<i>Net New Lease Expenditures Earned and Carried Forward</i>			\$162.3

	Per Barrel	Barrels	Value (\$ million)
<i>Avg ANS Oil Price (\$/bbl) & Daily Prod. (ths bbls)</i>	\$62.00	150.0	\$9.3
Royalty, Federal, and Other Barrels		(6,844)	(\$424.3)
Taxable Barrels	\$62.00	47,906	\$2,970.2
Downstream (Transportation) Costs (\$/bbl)	(\$10.07)		(\$482.5)
Gross Value at Point of Production (GVPP)	\$51.93	47,906	\$2,487.7
North Slope Lease Expenditures			
Deductible Operating Expenditures	(\$20.87)		(\$1,000.0)
Deductible Capital Expenditures	(\$30.01)		(\$1,437.7)
Deductible Gas Expenditures	(\$4.08)		(\$50.0)
Total Deductible Lease Expenditures	(\$50.88)		(\$2,487.7)
Production Tax Value (PTV)	\$0.00	47,906	\$0.0
Production Tax			
Gross Value or Production Tax Value			Floor \$2,487.7 Net Tax \$0.0
Gross Value Reduction (GVR)			\$0.0 \$0.0
GVPP or PTV after GVR			\$2,487.7 \$0.0
Tax rate			4% 35%
Tax before credits			\$99.5 \$0.0
Higher of minimum tax floor or net tax	\$2.08	47,906	\$99.5

PTV remains at 0

Increased tax liability after adding gas

Increased carry forward lease expenditures



North Slope Gas Tax Observations

- Production tax impact of gas without oil production is relatively simple: 13% gross tax with tax ceiling for in-state
- Tax calculation for a producer with both oil and gas production is more complicated
 - Separate tax calculations with floors and ceilings for tax before credits
 - Final tax calculation with floor and credits is a statewide calculation
- Production tax impact of gas for a company that also produces oil may be positive, neutral, or negative
 - Depends on the price of gas, any associated lease expenditures, oil price, oil production, and cost structure
- These examples are just three of many possible scenarios to illustrate the mechanics of the tax – not modeling any particular company or project



Closing Thoughts

Conclusions

- Alaska has a complex and nuanced oil and gas severance tax
- Reminder, this is only one part of the overall fiscal system for oil and gas
- Project economics and tax impacts for the same investment vary by producer
- Minimum tax floor is key to understanding tax impacts and “donut hole” effect
- Gross Value Reduction (GVR) impact is limited, price-dependent, and has nuanced interaction with the minimum tax floor
- Impacts of adding gas production on top of oil production are also nuanced and uncertain
- Complexity makes the tax difficult to forecast and administer – for all parties involved



THANK YOU

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