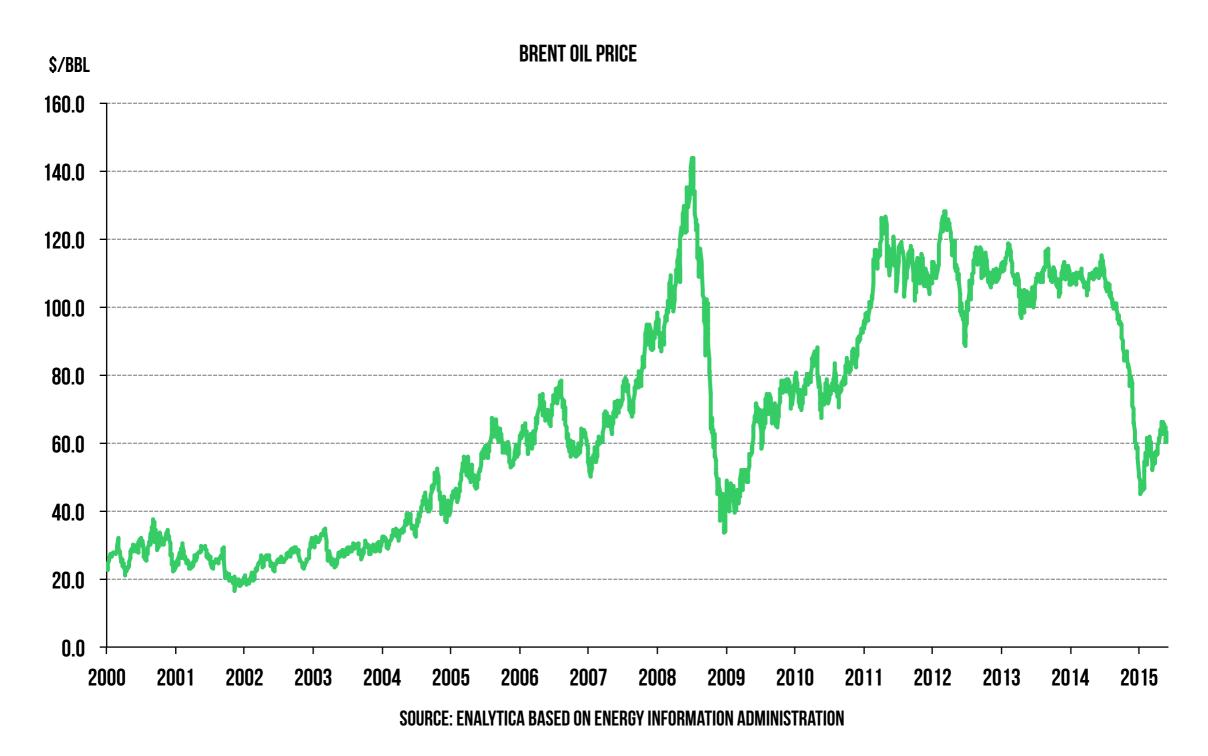
# OIL & GAS PRODUCTION TAX CREDITS AT LOW OIL PRICES

Presentation to Joint Resource Committee Hearings Kenai, Alaska > Wednesday, June 17, 2015

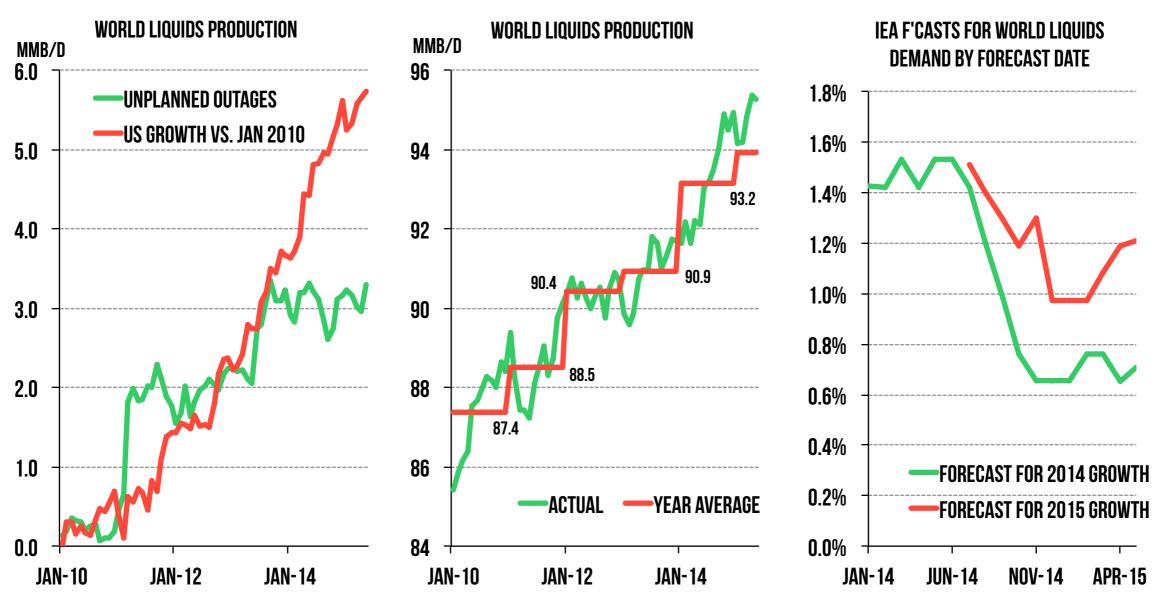
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#### OIL PRICES HAVE REBOUNDED SLIGHTLY AFTER CRASH

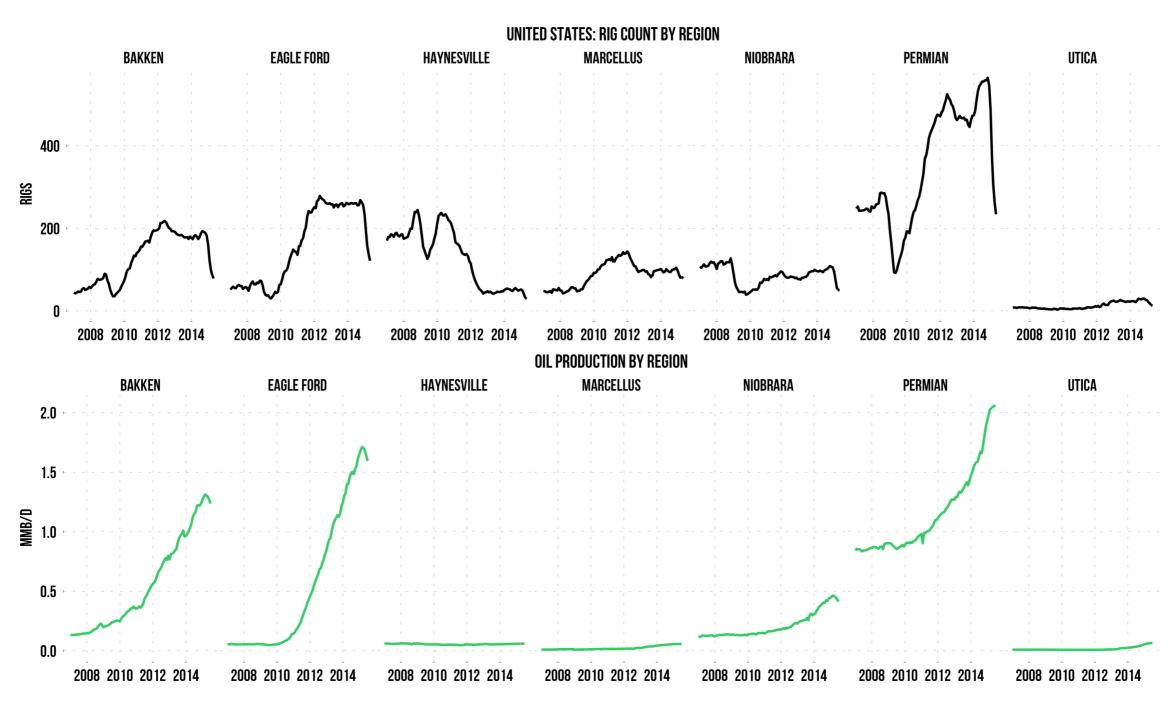


### OIL PRICE DROP DUE TO WEAKER FUNDAMENTALS

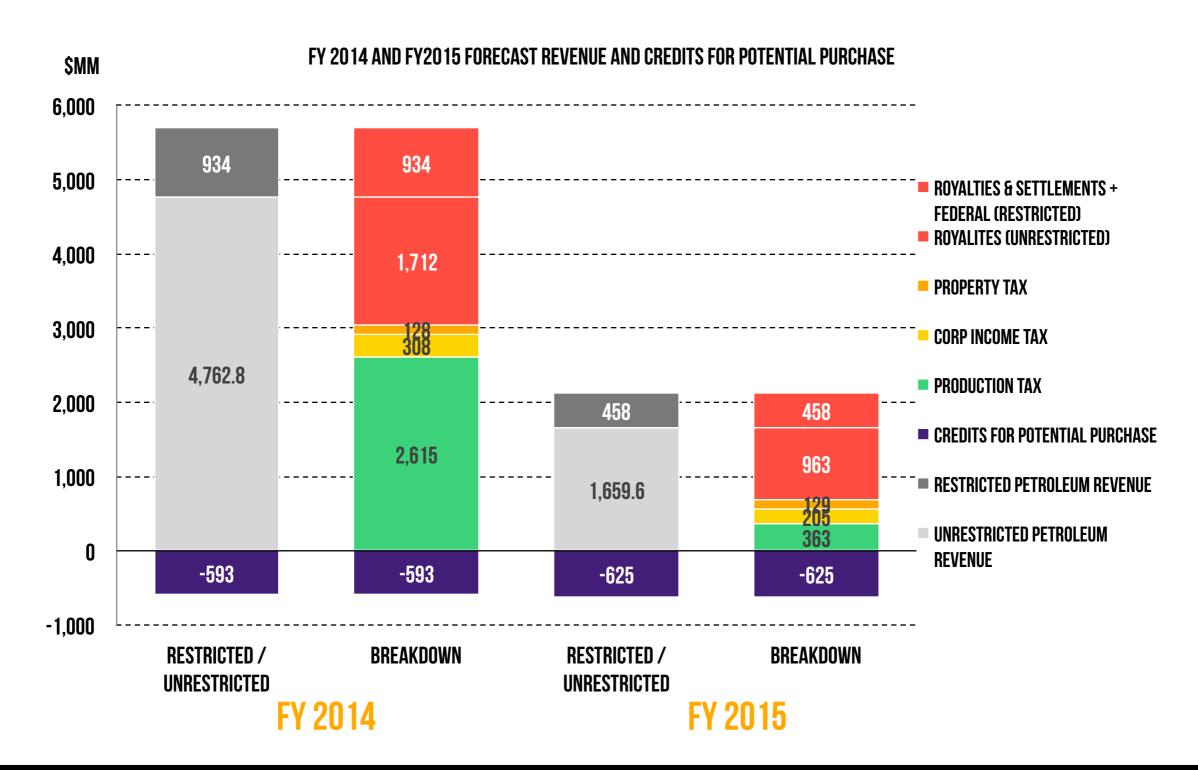


SOURCE: ENALYTICA BASED ON ENERGY INFORMATION ADMINISTRATION AND INTERNATIONAL ENERGY AGENCY

#### OIL PRICES HITTING US DRILLING MORE THAN US OUTPUT

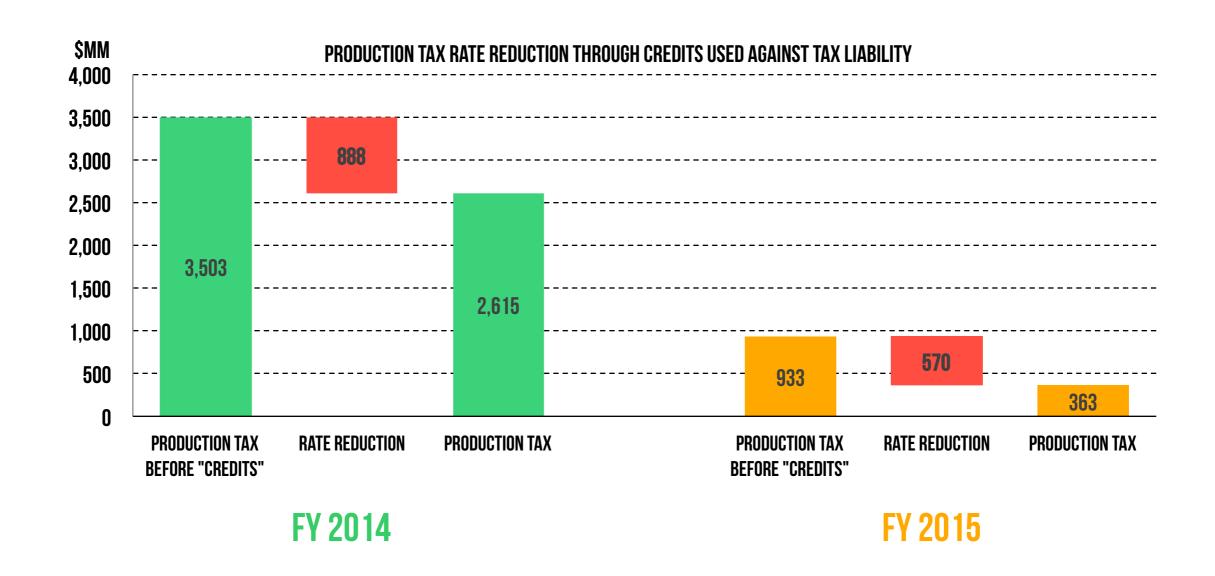


#### STATE REVENUES AND CREDITS: THE BIG PICTURE

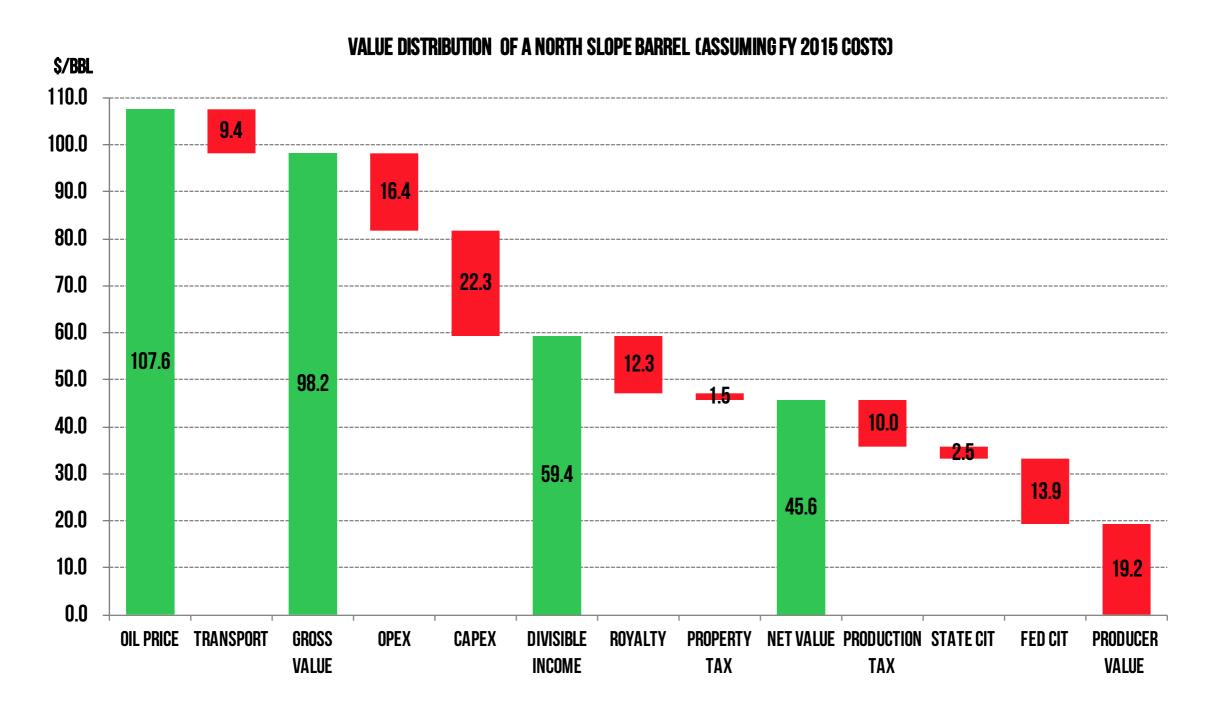


#### PER BARREL "CREDIT" IS A MISNOMER

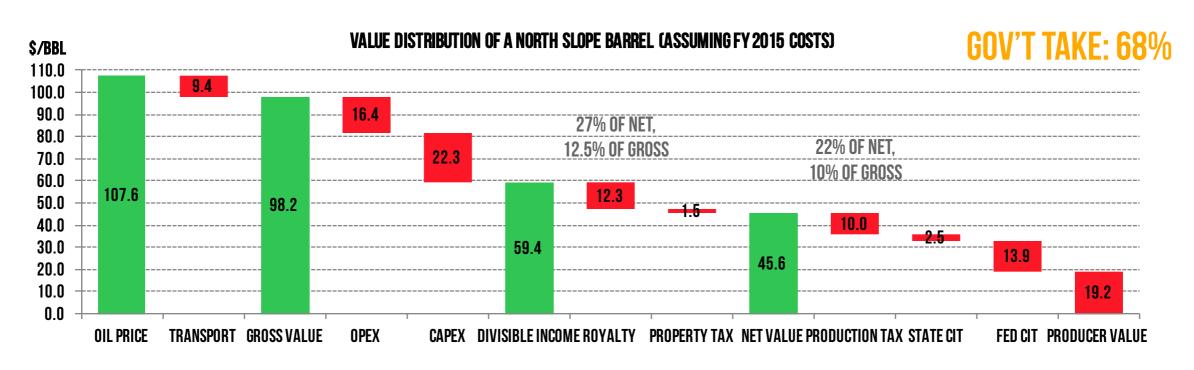
The credit against the production tax is not really a credit; it has an explicit tax-rate-setting goal Its purpose is to lower the effective tax rate when oil prices are low

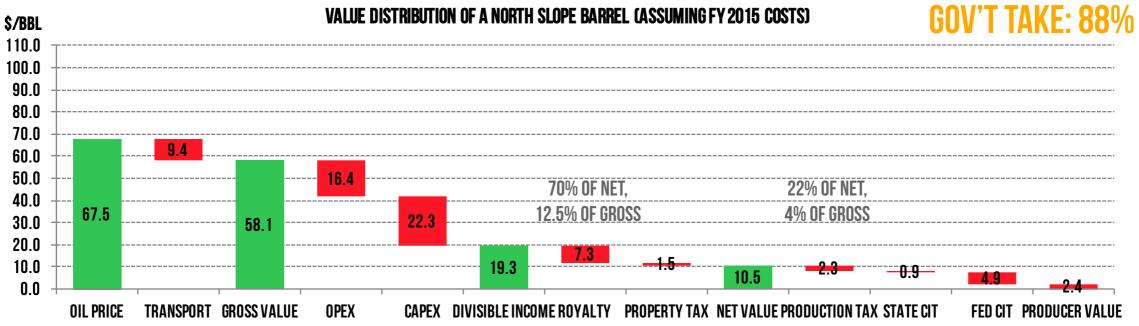


## WHERE DOES A BARREL GO: IF OIL WERE \$107/BBL

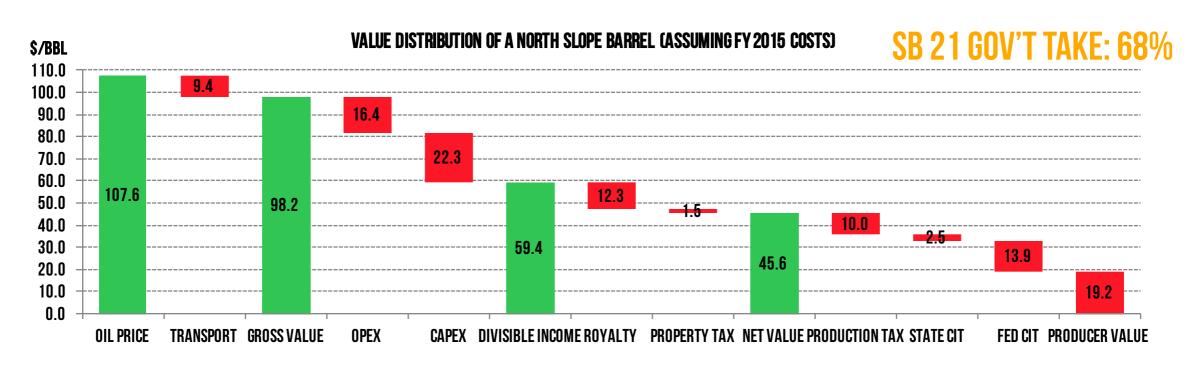


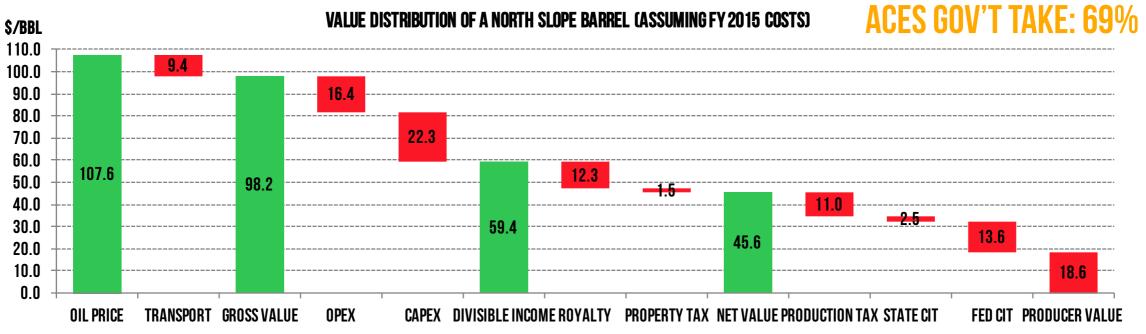
# WHERE DOES A BARREL GO: \$107 vs 67/BBL



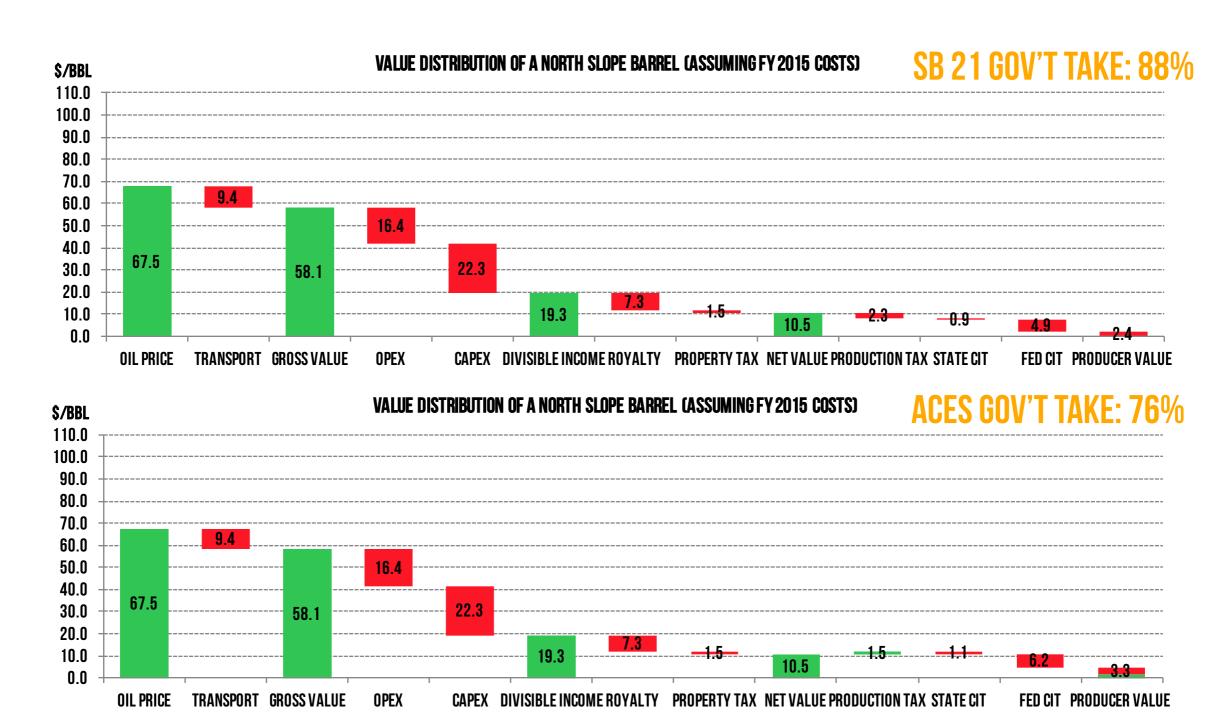


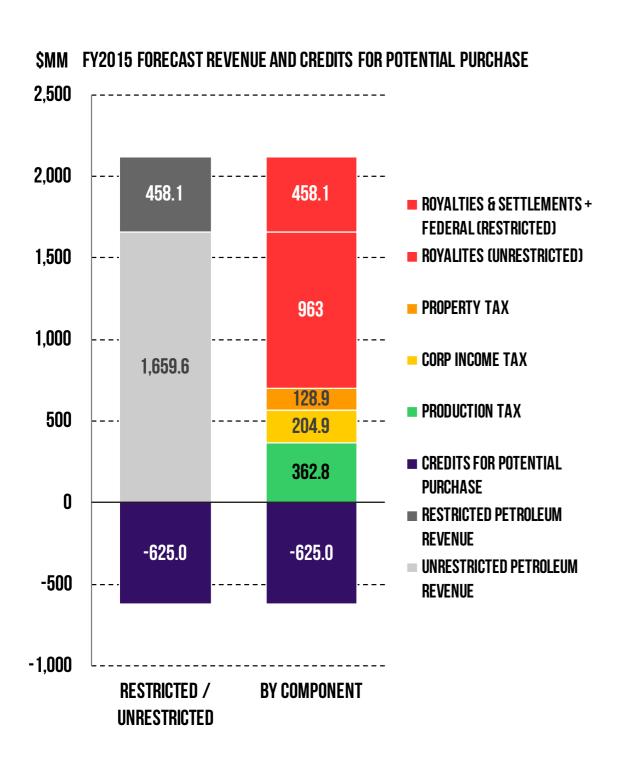
# WHERE DOES A BARREL GO: ACES vs SB 21 (\$107/BBL)





## WHERE DOES A BARREL GO: ACES vs SB 21 (\$67/BBL)





# SUNSET FOR SMALL PRODUCER-FOCUSED CREDITS

**Alternative Credit for Exploration** 

**Frontier Basin Credit** 

**Small Producer Credit** 

- Collectively cost \$113 million in FY2014

# IMPACT OF TRANSITIONAL ARRANGEMENTS

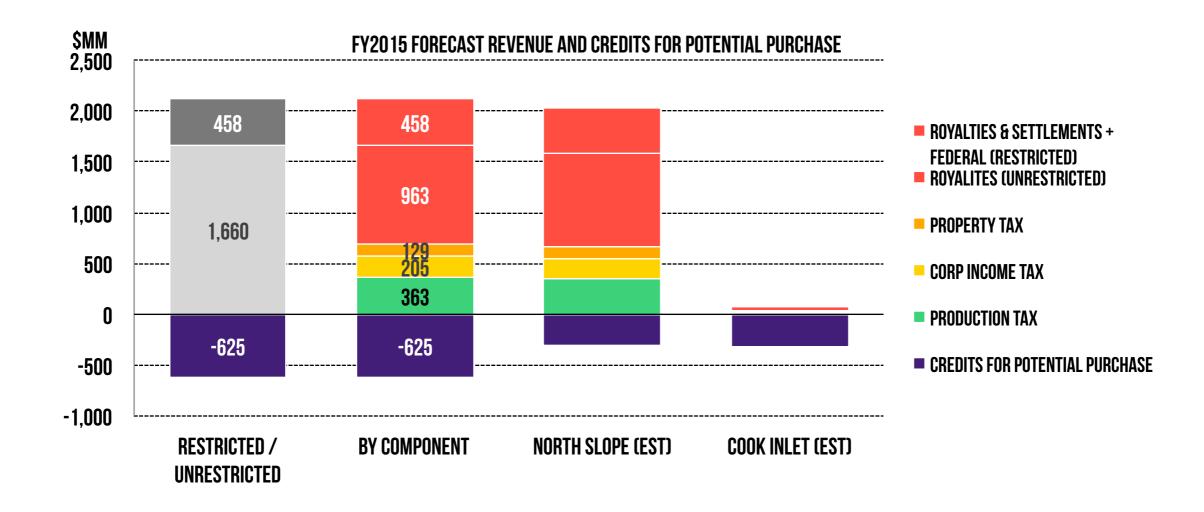
Support for small producer spending at 45% until

January 2016 (same as ACES)

**Reduced to 35% thereafter** 

#### **COOK INLET AND NORTH SLOPE VERY DIFFERENT**

Cook inlet receives approx. of 50% credits for purchase, but generates only 5% of revenue Production tax essentially 'ELF': Low, fixed rate on gas, and generally no tax on most oil production But significant credits: 20% capital; 40% well expenditure; 25% carried-forward annual loss



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