

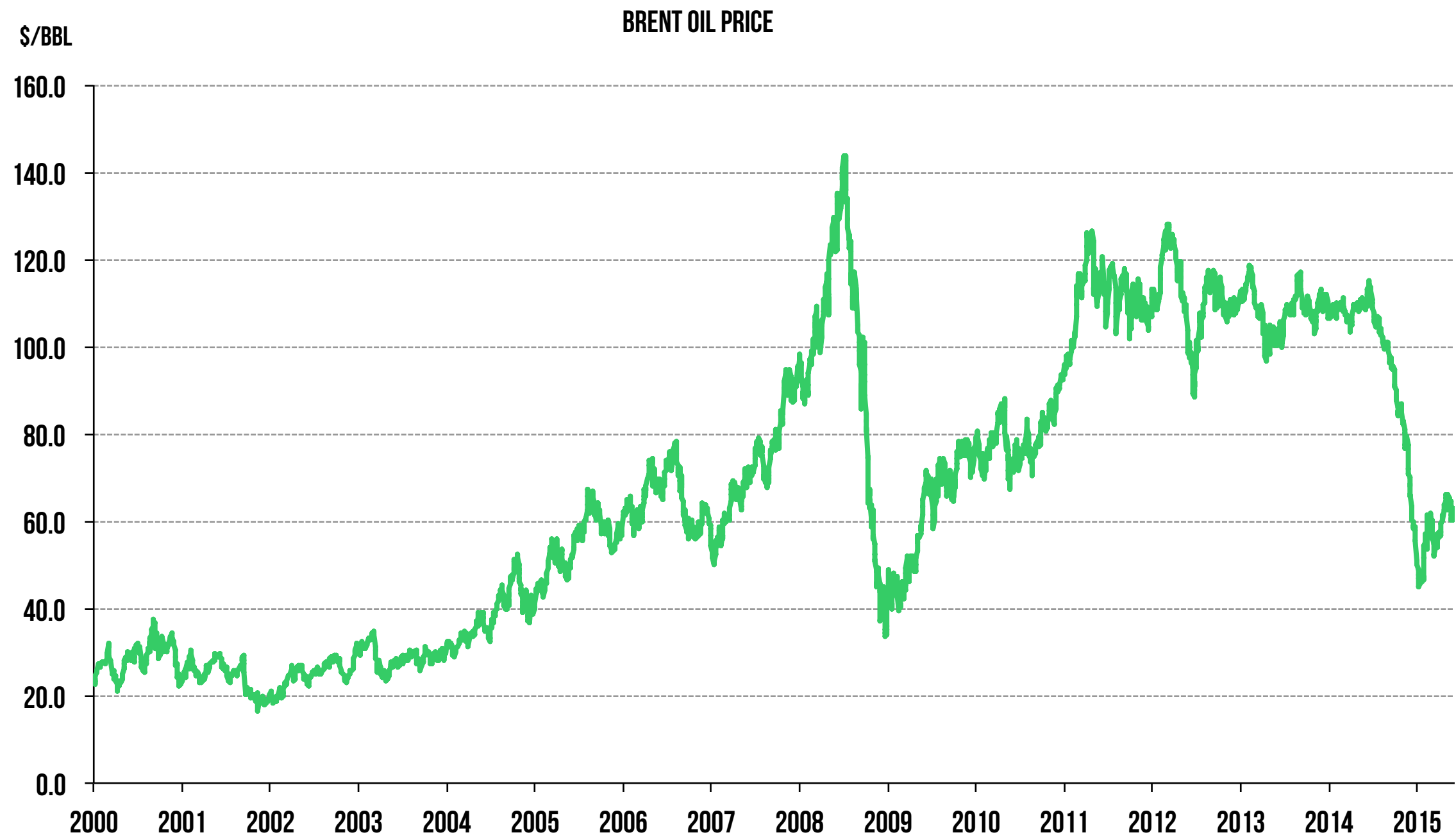
OIL & GAS PRODUCTION TAX CREDITS AT **LOW OIL PRICES**

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

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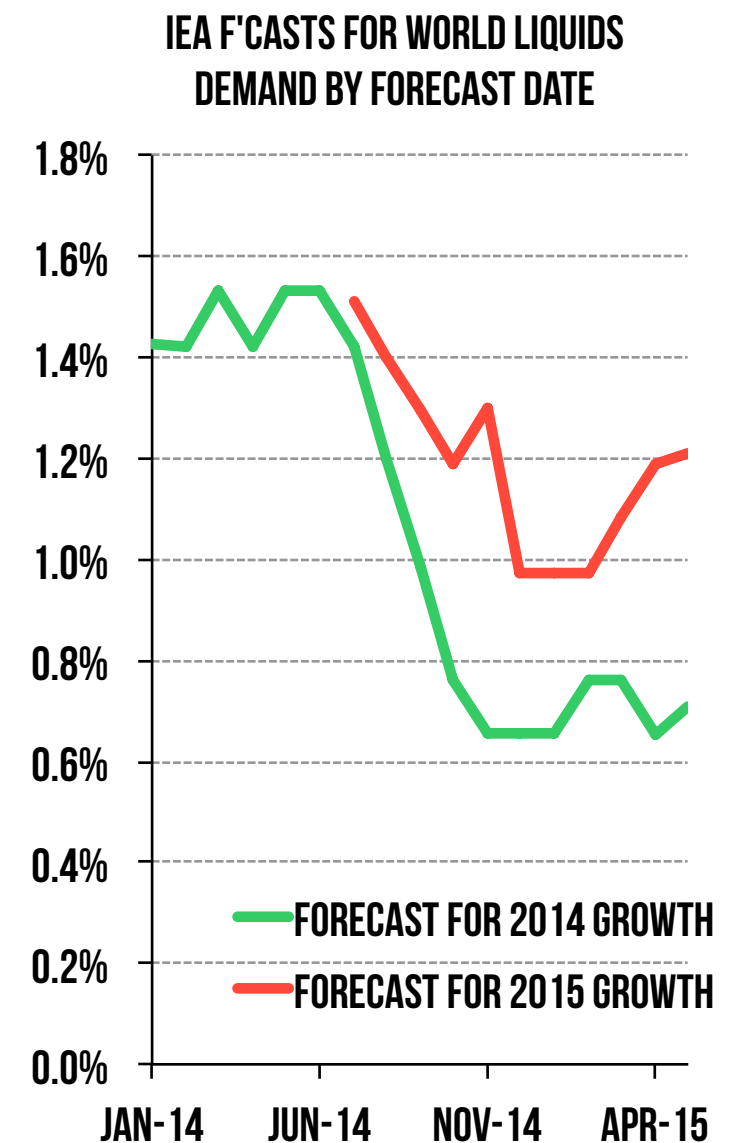
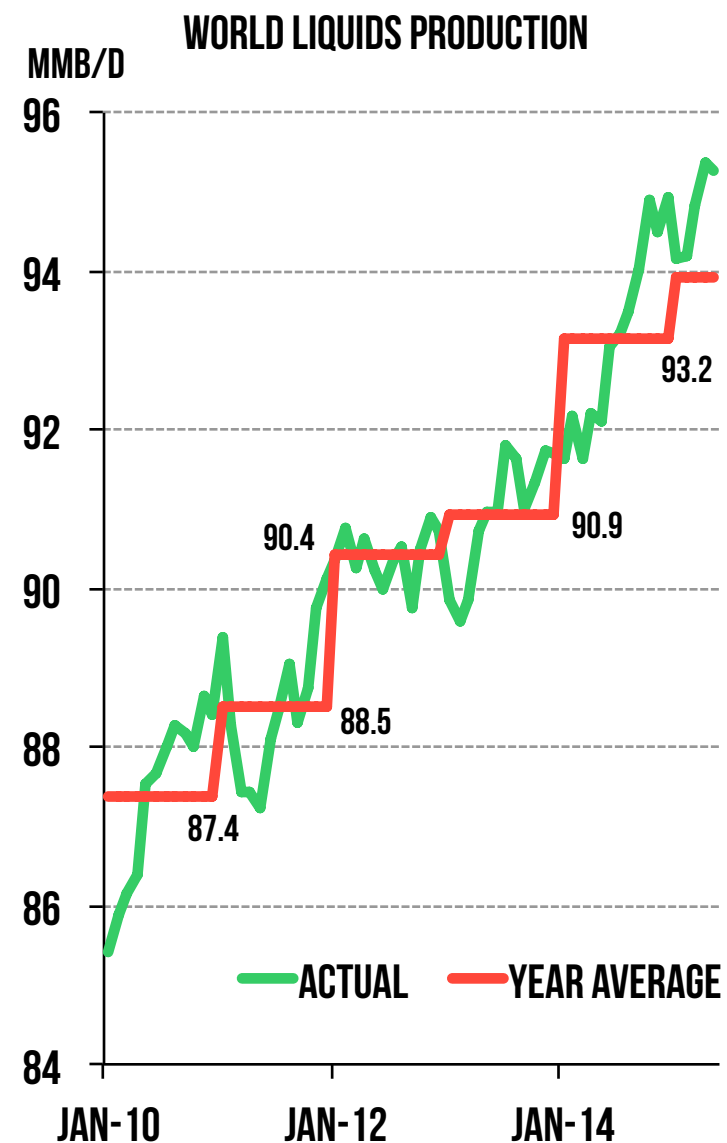
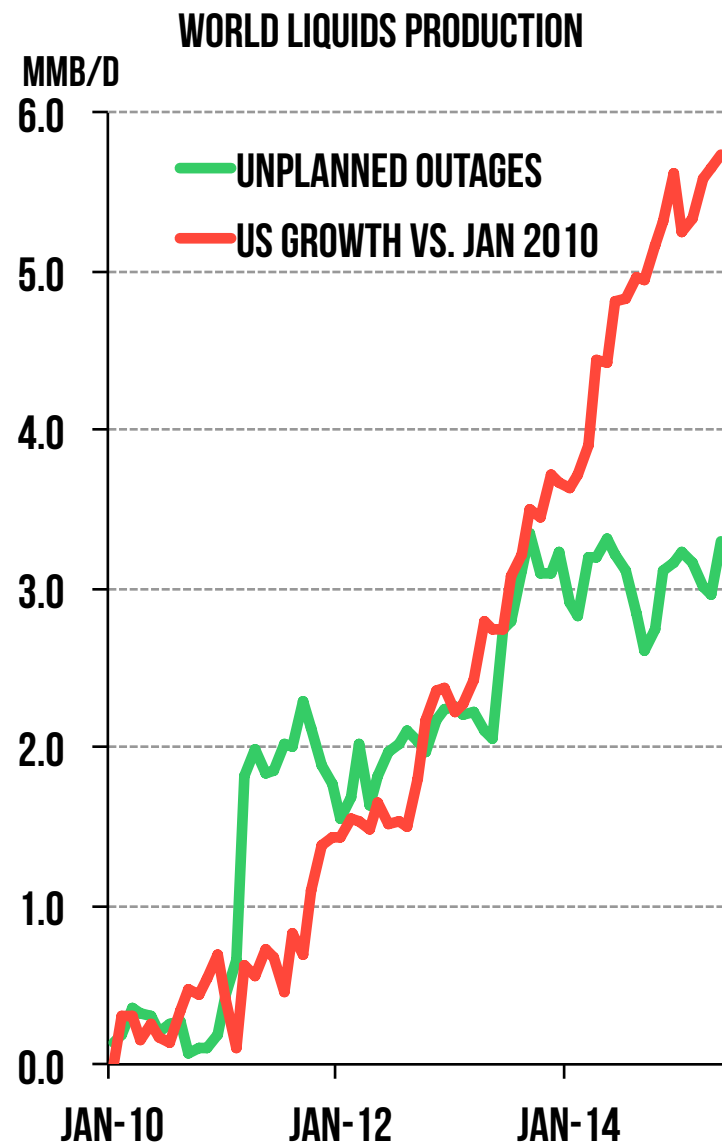
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OIL PRICES HAVE **REBOUNDED** SLIGHTLY AFTER CRASH



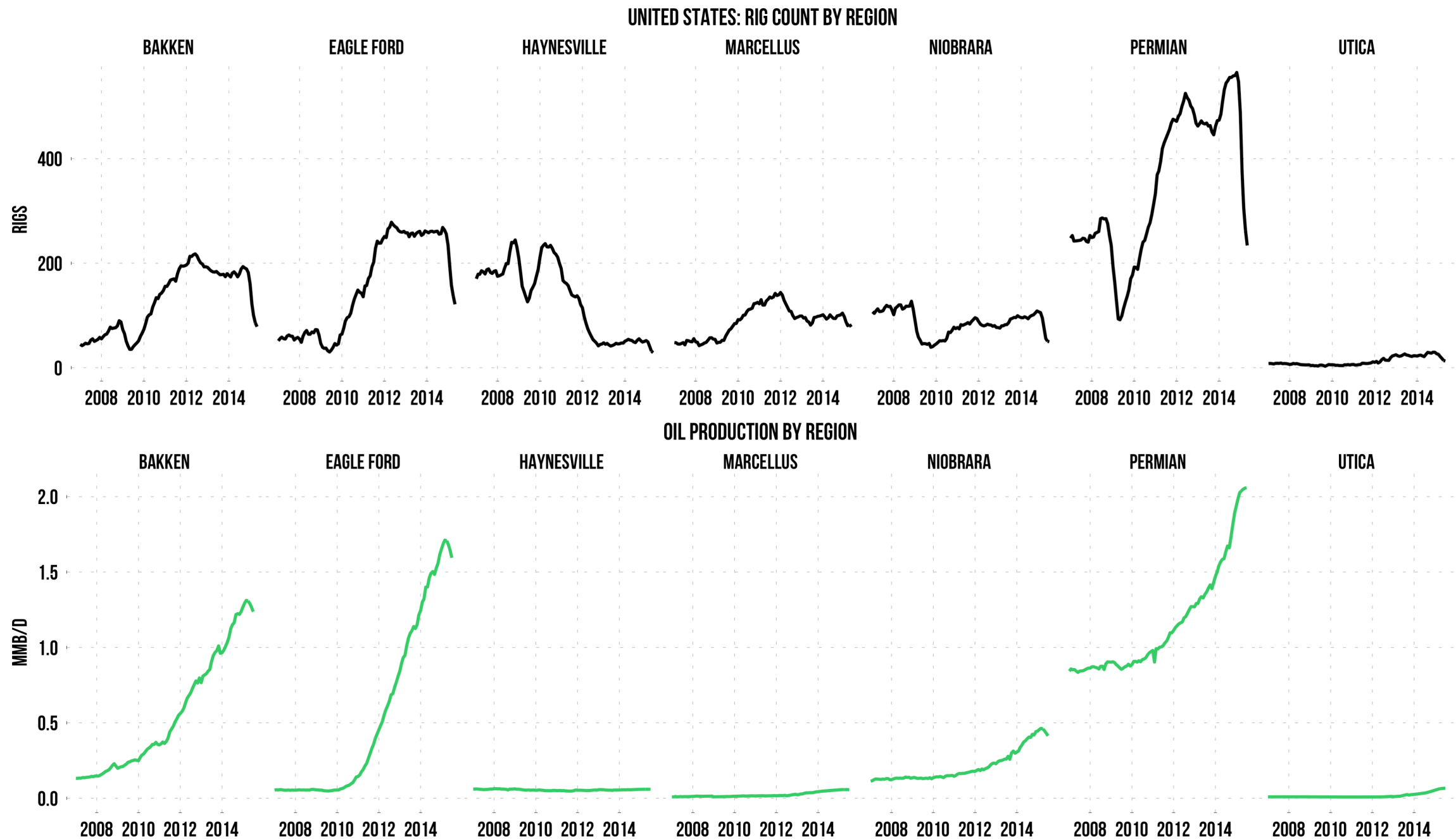
SOURCE: ENALYTICA BASED ON ENERGY INFORMATION ADMINISTRATION

OIL PRICE DROP DUE TO WEAKER FUNDAMENTALS



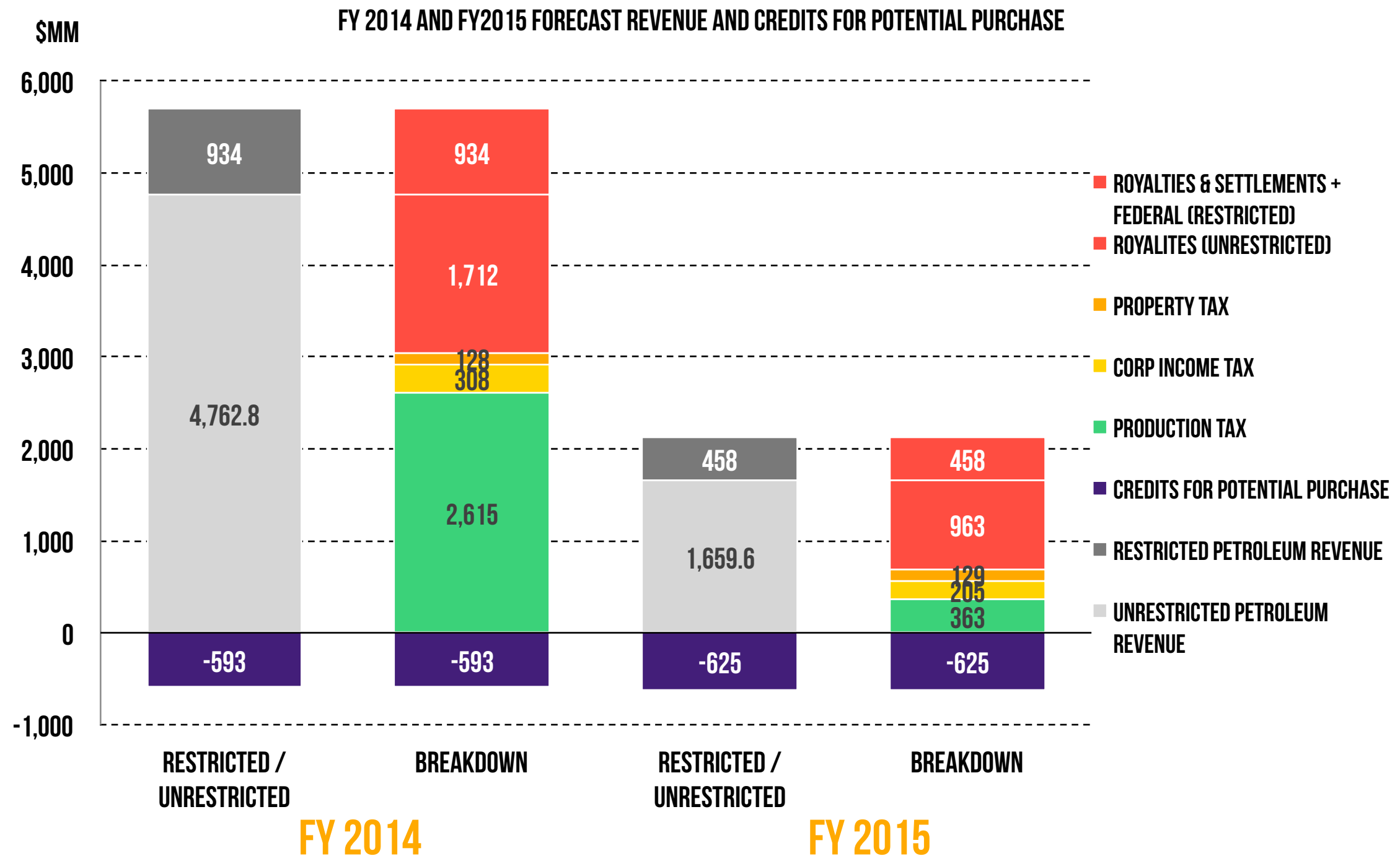
SOURCE: ENALYTICA BASED ON ENERGY INFORMATION ADMINISTRATION AND INTERNATIONAL ENERGY AGENCY

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



SOURCE: ENALYTICA BASED ON ENERGY INFORMATION ADMINISTRATION

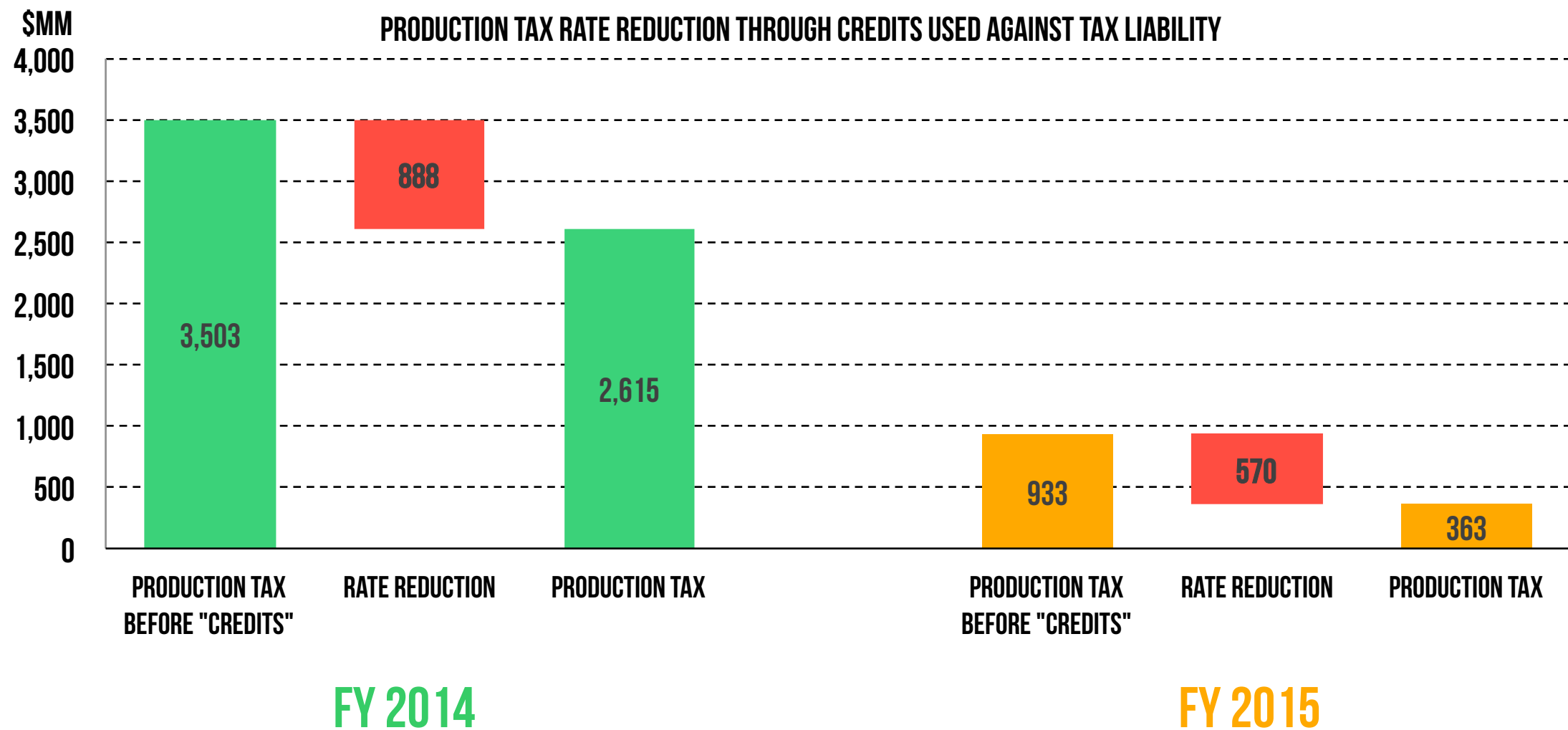
STATE REVENUES AND CREDITS: THE BIG PICTURE



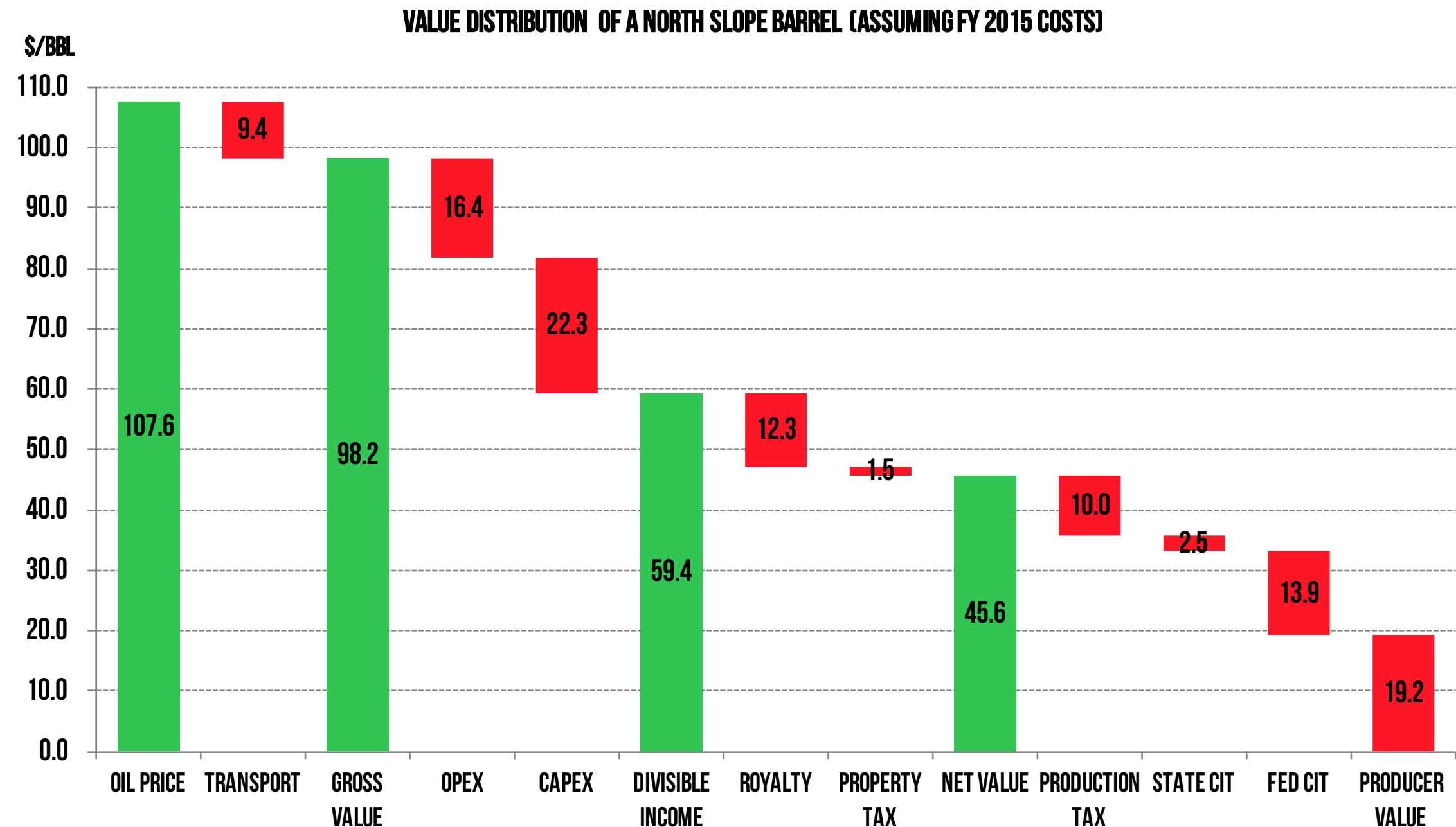
PER BARREL “CREDIT” IS A MISNOMER

The credit against the production tax is not really a credit; it has an explicit tax-rate-setting goal

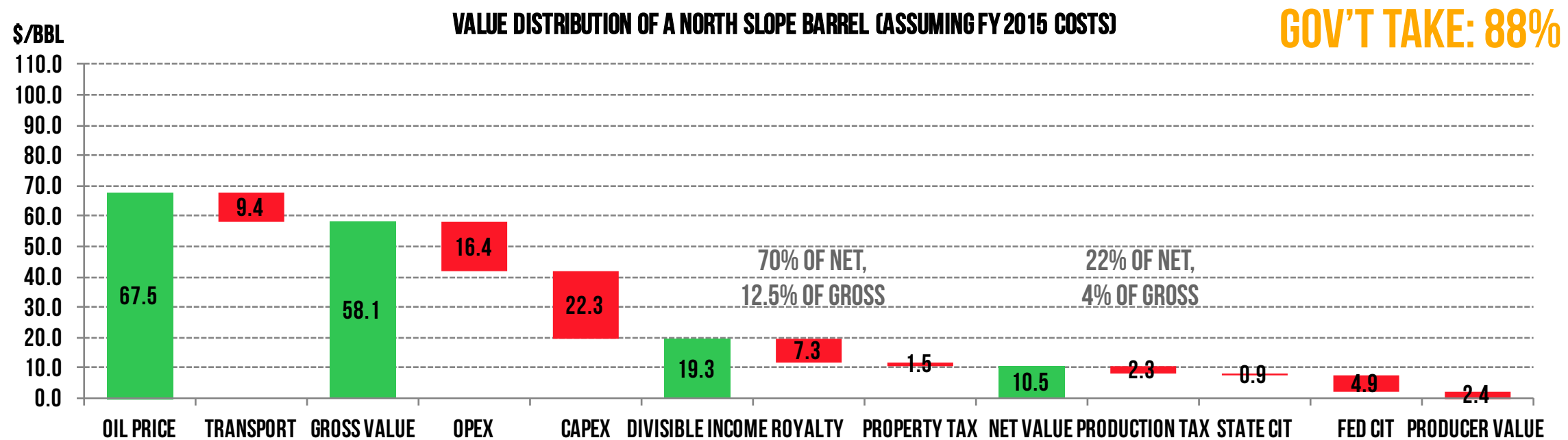
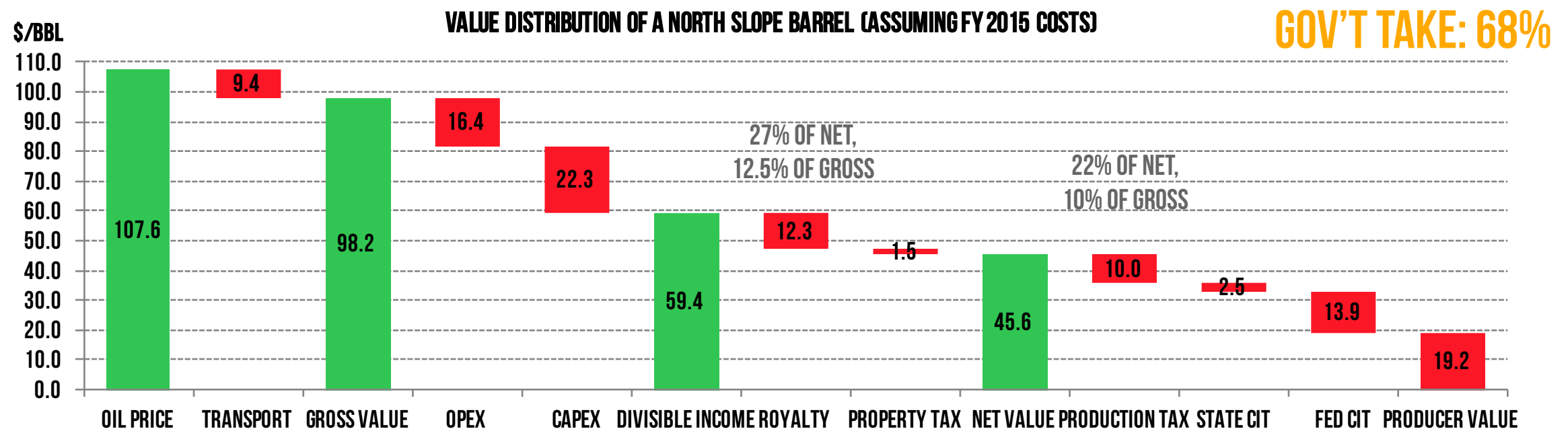
Its purpose is to lower the effective tax rate when oil prices are low



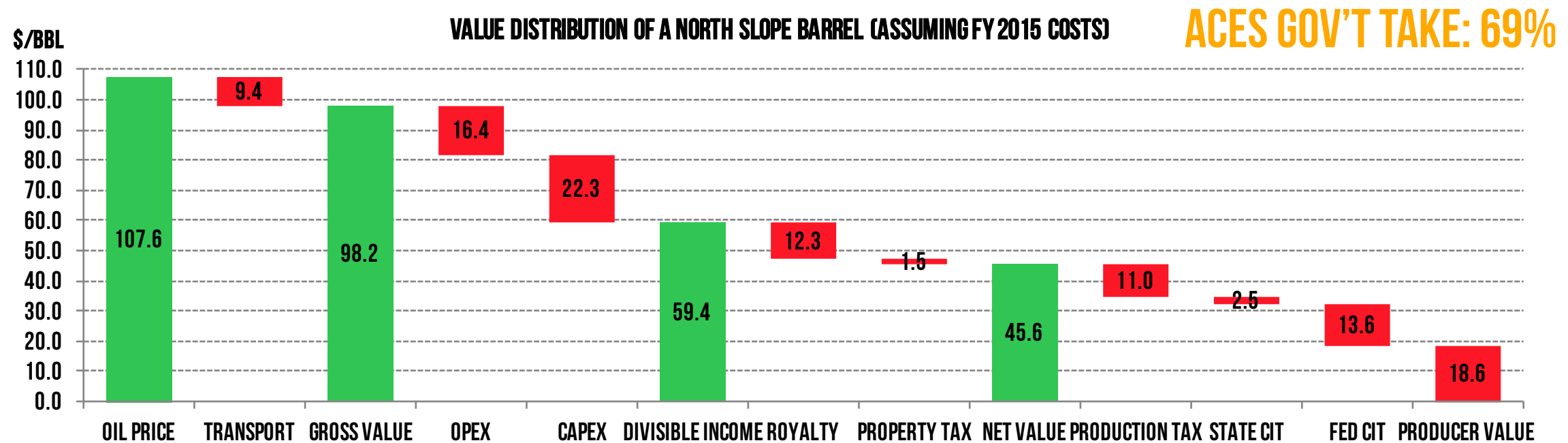
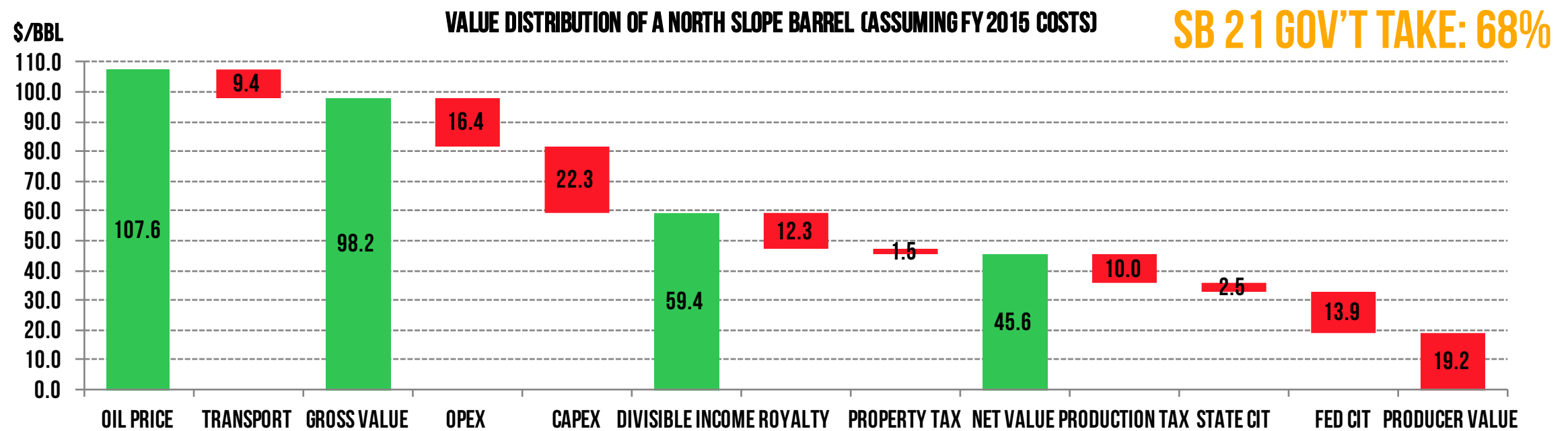
WHERE DOES A BARREL GO: IF OIL WERE \$107/BBL



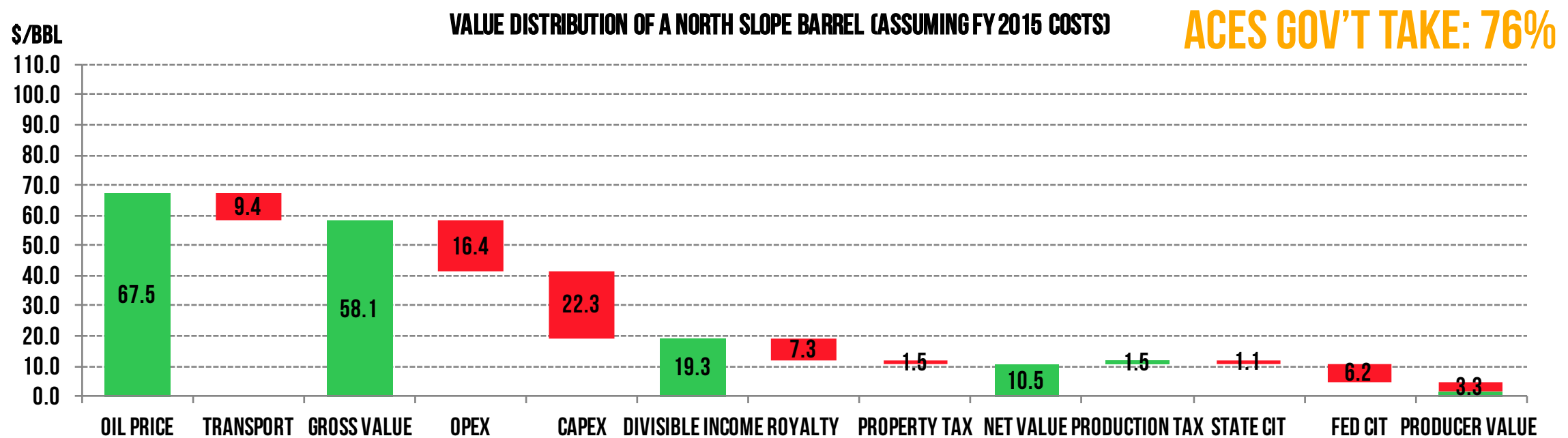
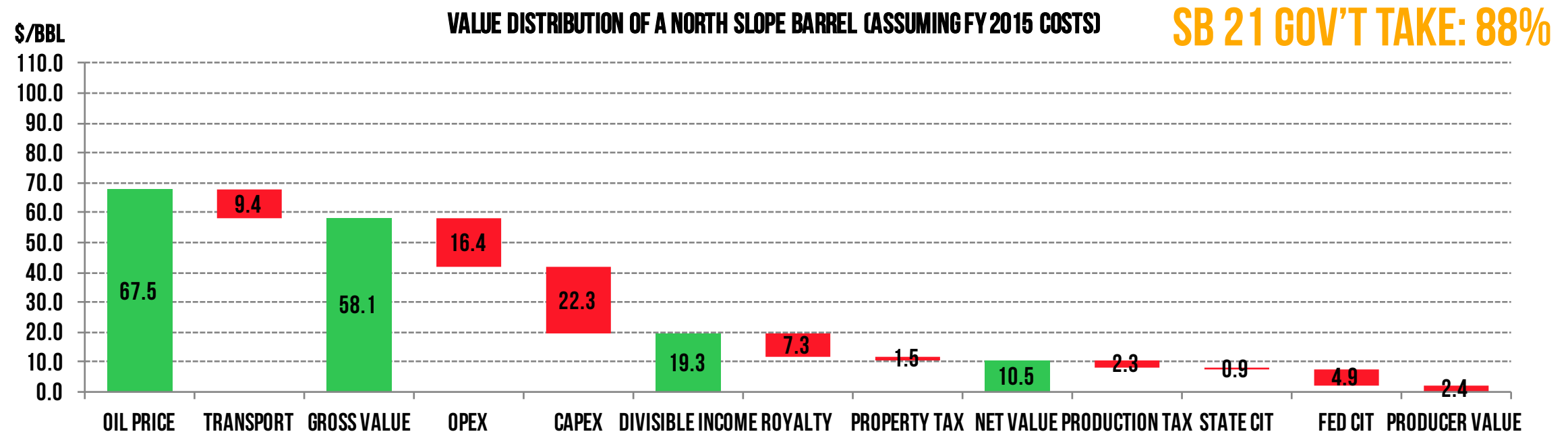
WHERE DOES A BARREL GO: \$107 vs 67/BBL



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

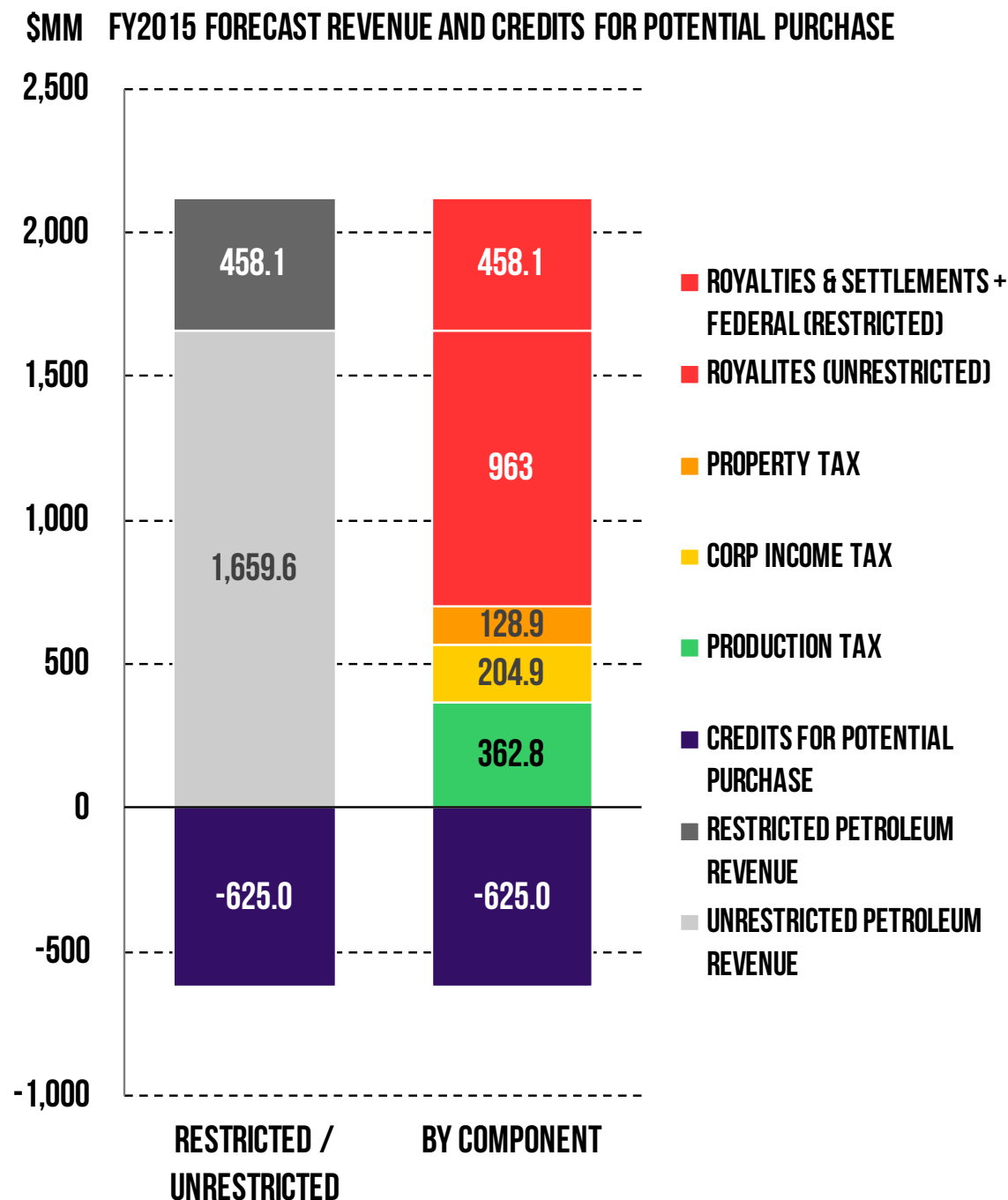
- Collectively cost \$113 million in FY2014

IMPACT OF **TRANSITIONAL ARRANGEMENTS**

Support for small producer spending at 45% until

January 2016 (same as ACES)

Reduced to 35% thereafter

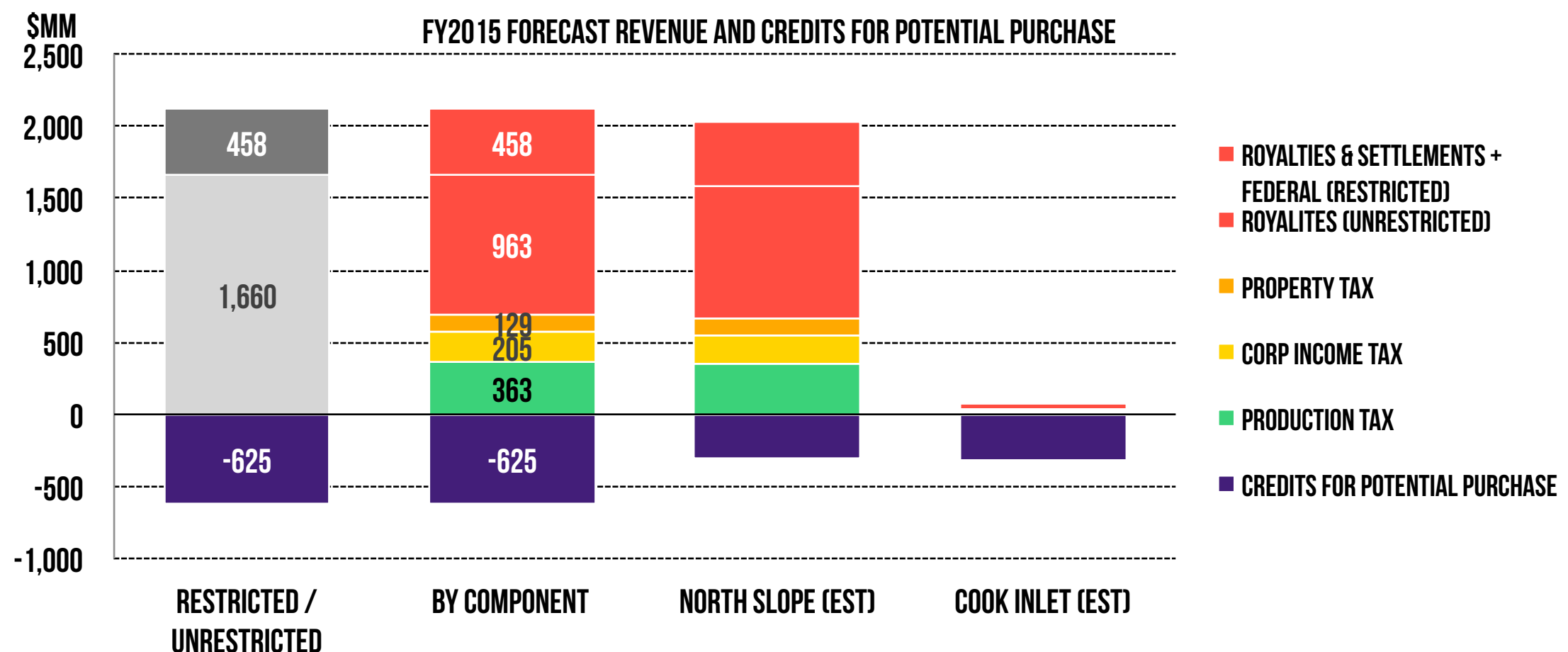


COOK INLET AND NORTH SLOPE **VERY DIFFERENT**

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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