



Industry Revenues from the Division of Mining, Land & Water and the Division of Oil & Gas

Senate Resources Committee

Presentation by Deputy Commissioner Sara Longan
and Director Marty Parsons

Alaska Department of Natural Resources
February 19, 2020



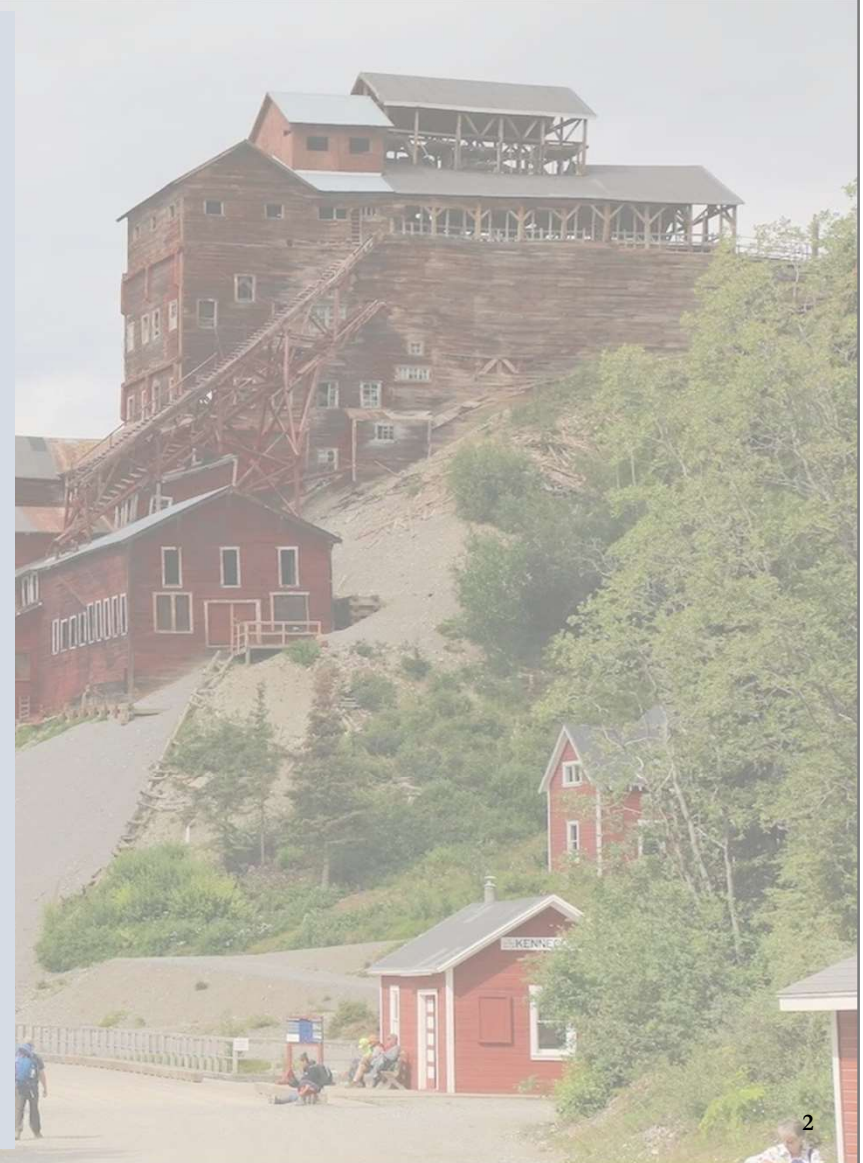
IN 2018

DMLW EXAMPLES FROM RESOURCE DEVELOPMENT

In 2018, Alaska's mining industry provided:

- **4,500** direct mining jobs in Alaska.
- **9,200** total direct and indirect jobs attributed to Alaska mining industry.
- **\$715 million** in total direct and indirect payroll.
- Some of **Alaska's highest paying jobs** with an estimated average annual wage of \$112,857, almost twice the state average for all sectors of the economy.
- **\$34 million** in local government revenue.
- **\$129 million** in state government revenue through mining licenses, rents, royalties, fees, taxes, and other government-related payments.
- **\$358 million** in payments to Alaska Native corporations.
- **Mostly year-round jobs** for residents of more than 60 communities throughout Alaska, half of which are found in rural Alaska where few other jobs are available.

From the Alaska Miners Association in consultation with the McDowell Group, March 2019

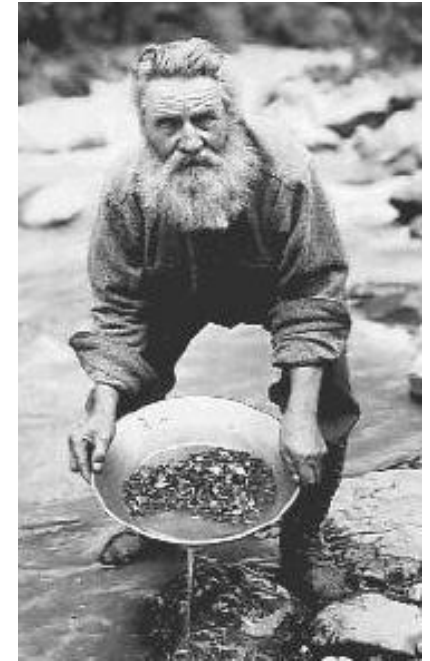


DIVISION OF MINING, LAND & WATER

- MINING REVENUES THROUGH RENTALS, ROYALTIES, FEES AND TAXES -

• Mining Claim Rentals (DNR)	\$ 7,192,888
○ Annual Rentals (per acre)	
❖ \$0.88 (1-5 years)	
❖ \$1.75 (6-10 years)	
❖ \$4.25 (>10 years)	
○ Payment in lieu of Labor (DNR)	\$ 392,085
• Coal Lease Rentals (DNR)	\$ 231,159
• Mining & Coal Royalties (DNR)	\$ 4,444,557
• Miscellaneous Fees (DNR)	\$ 133,436
• Payment to Municipalities	\$34,282,140
• Taxes (DOR)	\$81,893,109

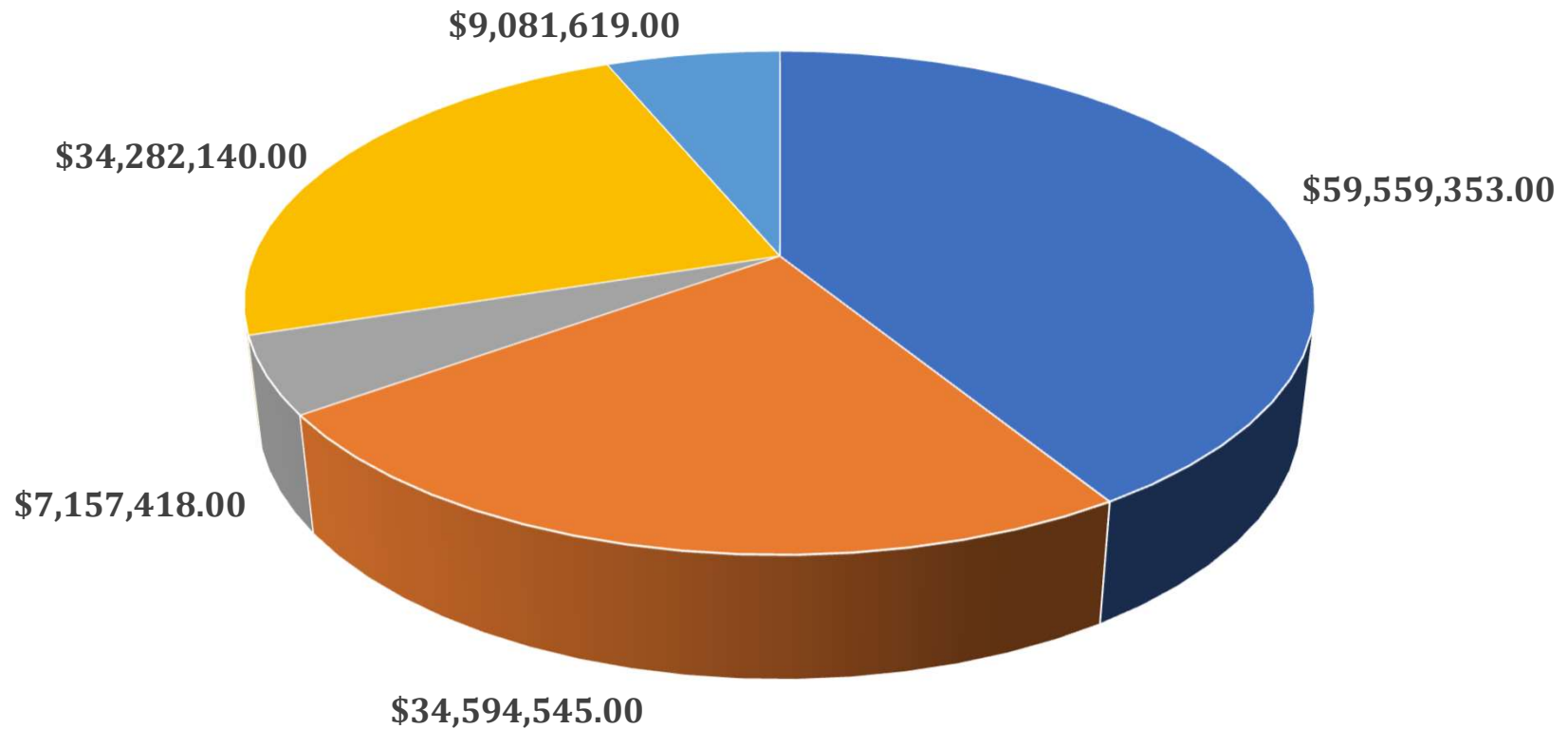
Total: \$128,569,374



DIVISION OF MINING, LAND & WATER

- ALASKA'S TOTAL REVENUE FROM MINERAL RESOURCE DEVELOPMENT -

Revenue Distribution from Fees and Royalties: \$144,675,075



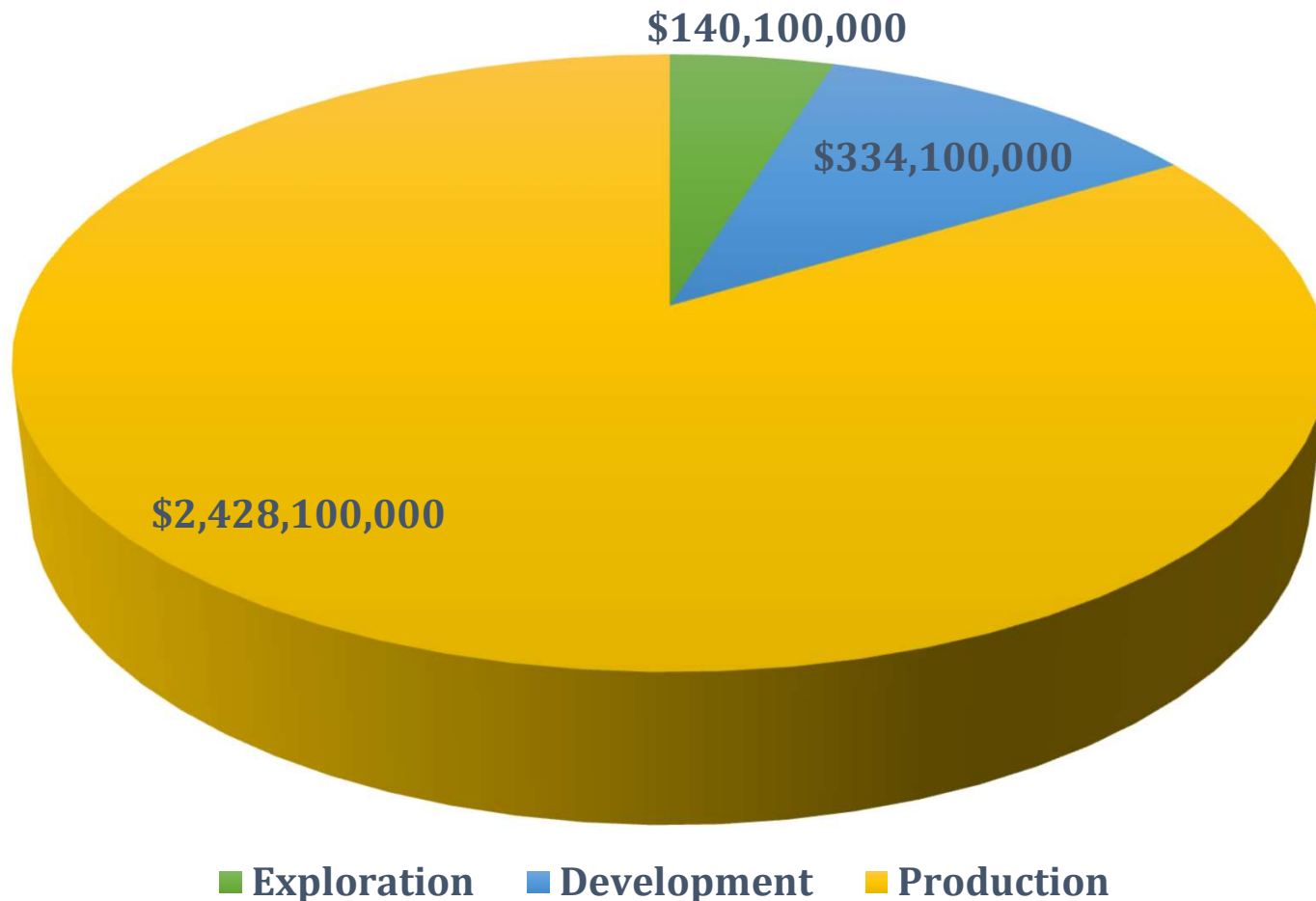
- Mining License Tax, Rents, and Royalties
- Corporate Income tax collections
- State Material Sales, Misc. Fees, other taxes
- Payment to Municipalities
- AIDEA for use of facilities

Source: DGGs SR 74 "Alaska's Mineral Industry 2018"

DIVISION OF MINING, LAND & WATER

- MINERAL RESOURCE DEVELOPMENT -

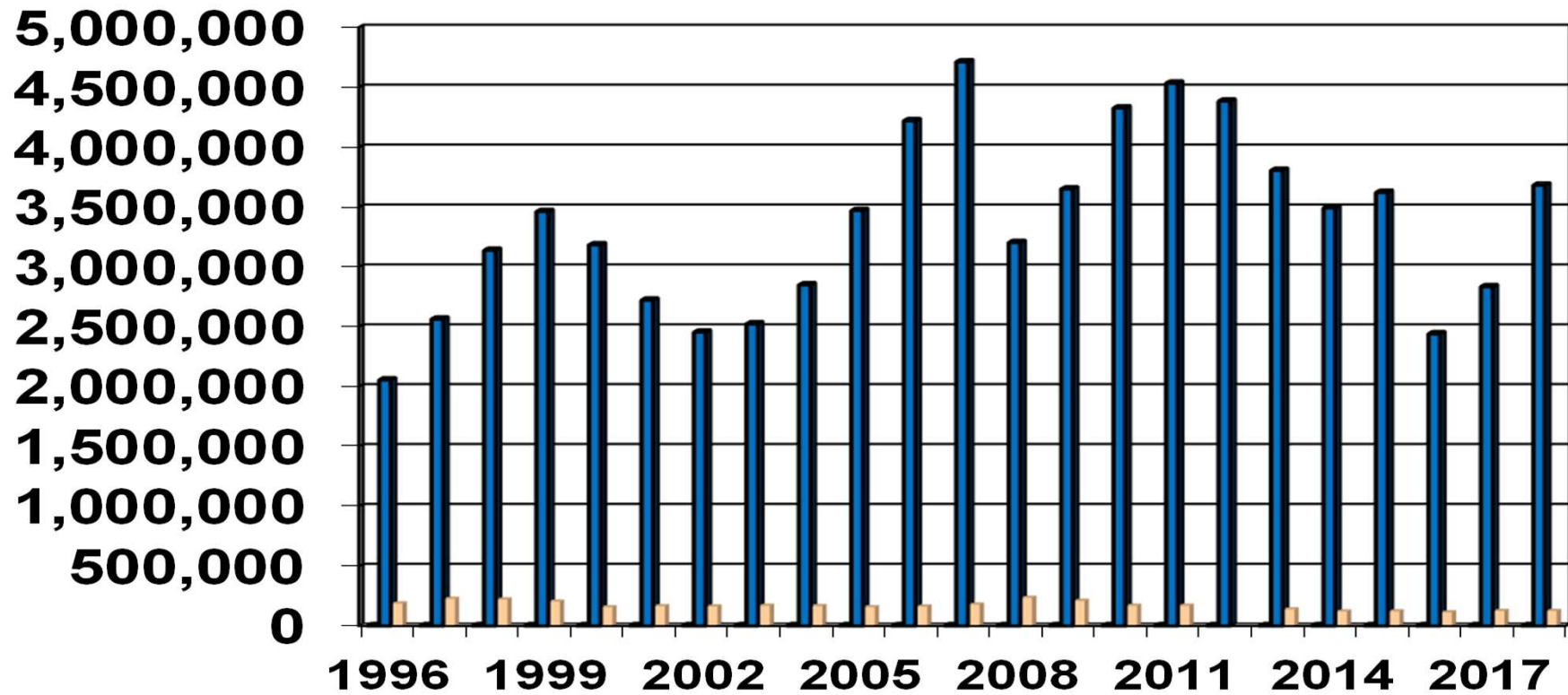
Value of Alaska's Mineral Industry - \$2,902,300,000



Source: DGGS SR 74 "Alaska's Mineral Industry 2018"

DIVISION OF MINING, LAND & WATER

- ACREAGE OF MINING CLAIMS -



Source: DGGs SR 74 "Alaska's Mineral Industry 2018"

DIVISION OF MINING, LAND & WATER

- EXPLORATION, DEVELOPMENT & PRODUCTION -

Alaska's metal and coal reserves

These numbers represent Alaska's ranking of coal and metal reserves relative to other countries worldwide.

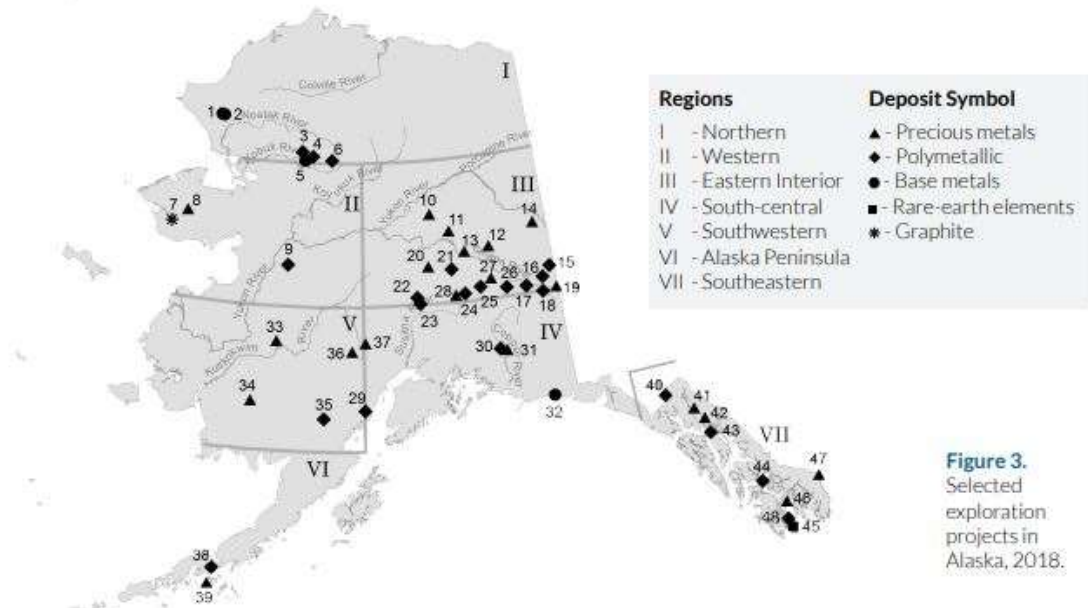
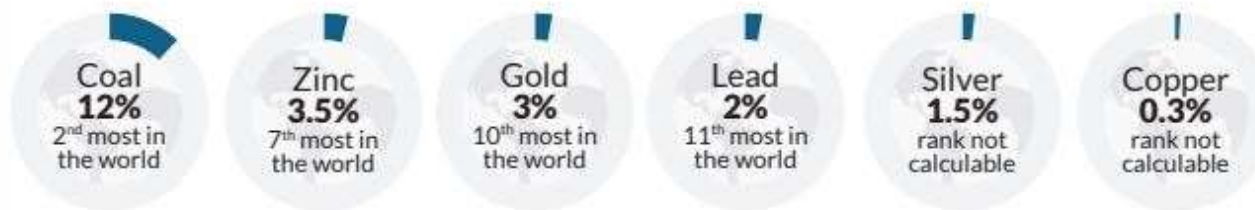


Figure 3. Selected exploration projects in Alaska, 2018.

Source: DGGs SR 74 "Alaska's Mineral Industry 2018"

DIVISION OF MINING, LAND & WATER

- EXPLORATION, DEVELOPMENT & PRODUCTION -

In 2018 Alaska was ranked 5th out of 83 worldwide jurisdictions for overall investment attractiveness by mining and exploration companies, which takes into account geologic potential as well as government policy factors that affect exploration investment. Alaska also ranked 3rd for mineral potential assuming a “best practices” policy regime.*



*Source: Stedman, Ashley, and Green, K.P., 2019, Fraser Institute Annual Survey of Mining Companies, 2018: Fraser Institute, 82 p.

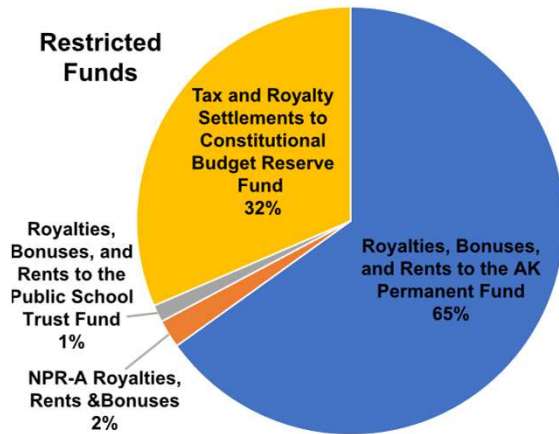
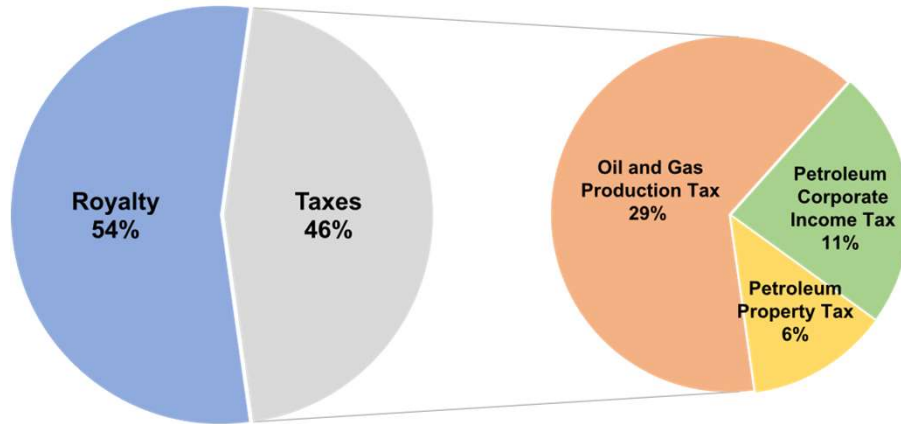
PETROLEUM REVENUE

- OVERVIEW -

- AK State Revenue Sources From Oil & Gas Production:
 - Royalties
 - Production Tax
 - Property Tax
 - Corporate Income Tax
- Revenue from oil and gas is unrestricted, except:
 - 25% (before 1979) and 50% (after 1979) of royalty revenue be deposited into the AK Permanent Fund.
 - Payments received from the federal government representing a share of the bonuses, rents, & royalties derived from federal oil & gas leases in the NPR-A are deposited into an NPR-A special revenue fund.
 - Payments received from settlements of tax and royalty disputes between the state and producers are deposited into the Constitutional Budget Reserve Fund (CBRF), after accounting for any applicable share of royalty settlements deposited into the Permanent Fund and Public School Trust Fund.

TOTAL PETROLEUM REVENUE - BY RESTRICTION AND TYPE, MILLIONS OF DOLLARS -

Unrestricted Fund Sources



\$2,623.2M
FY2019

Unrestricted Petroleum Revenue

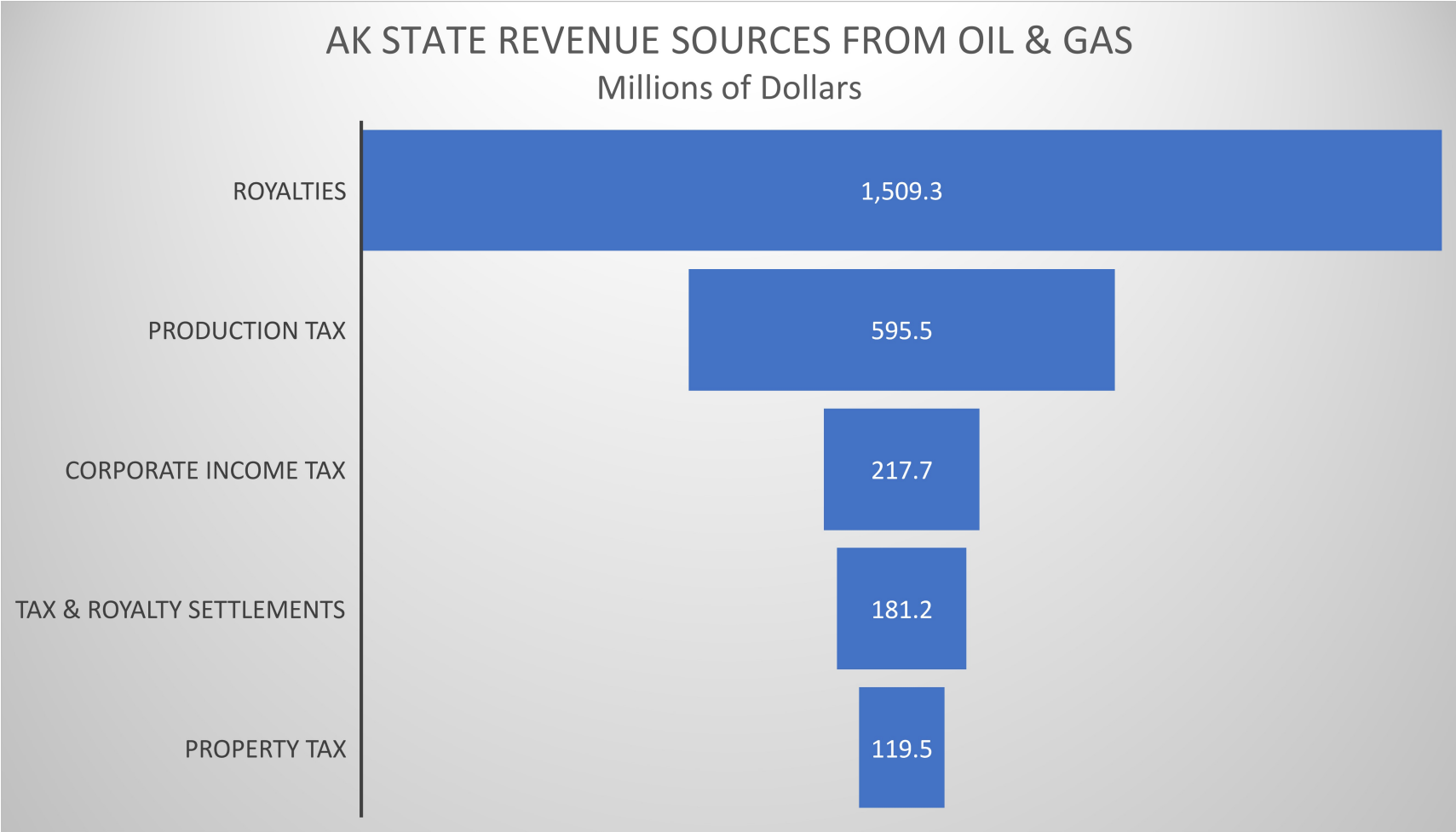
FY 2019

Royalties (including bonuses, rents, and interest)	1,114.7
Oil and Gas Production Tax	595.5
Petroleum Corporate Income Tax	217.7
Petroleum Property Tax	119.5
Total Unrestricted Petroleum Revenue	2,047.03

Restricted Petroleum Revenue

Royalties, Bonuses, and Rents to the AK Permanent Fund	374.8
Royalties, Bonuses, and Rents to the Public School Trust Fund	7.5
Tax and Royalty Settlements to Constitutional Budget Reserve Fund	181.2
NPR-A Royalties, Rents & Bonuses	12.3
Total Restricted Petroleum Revenue	575.8

PETROLEUM REVENUE - OVERVIEW -



FY19 DIVISION OF OIL AND GAS REVENUE - BY REVENUE FUND & TYPE, MILLIONS OF DOLLARS -

UNRESTRICTED GENERAL FUND 1,111.1M	PERMANENT FUND 374.8M	SCHOOL TRUST FUND 7.5M
<ul style="list-style-type: none"> - Bid Bonus & Bonus Deposit - Exploration Drill Permit - Federally Shared Leases - Gas Royalty in Value - Interest Federal Share Royalty - Interest on Bid Payment - Lease Rental Payment - Minimum Royalty - Net Interest O&G Royalty Payment - Net Profit Share O&G Leases - Oil Royalty in Kind - Oil Royalty in Value - Royalty Payment (Federally Shared) - State Storage Lease 	<ul style="list-style-type: none"> - Bid Bonus & Bonus Deposit - Federally Shared Leases - Gas Royalty in Value - Interest on Bid Payment - Lease Rental Payment - Minimum Royalty - Net Interest O&G Royalty Payment - Net Profit Share O&G Leases - Oil Royalty in Kind - Oil Royalty in Value - Royalty Interest Payment (Federally Shared) - Royalty Payment (Federally Shared) 	<ul style="list-style-type: none"> - Bid Bonus & Bonus Deposit - Federally Shared Leases - Gas Royalty in Value - Interest Federal Share Royalty - Interest on Bid Payment - Lease Rental Payment - Minimum Royalty - Net Interest O&G Royalty Payment - Net Profit Share O&G Leases - Oil Royalty in Kind - Oil Royalty in Value - Royalty Payment (Federally Shared)

RESTRICTED GENERAL FUND	7.2M
<ul style="list-style-type: none"> - Lease & Easement Payments - O&G Filing Fees - Right of Way Lease Payments - Right of Way Material Sales - Survey Instructions/Plat Review 	

CONSTITUTIONAL BUDGET RESERVE	7.6M
<ul style="list-style-type: none"> - Gas Royalty in Value - Net Interest O&G Royalty Payment - Net Profit Share O&G Leases - Oil Royalty in Value 	

\$1,508.2M

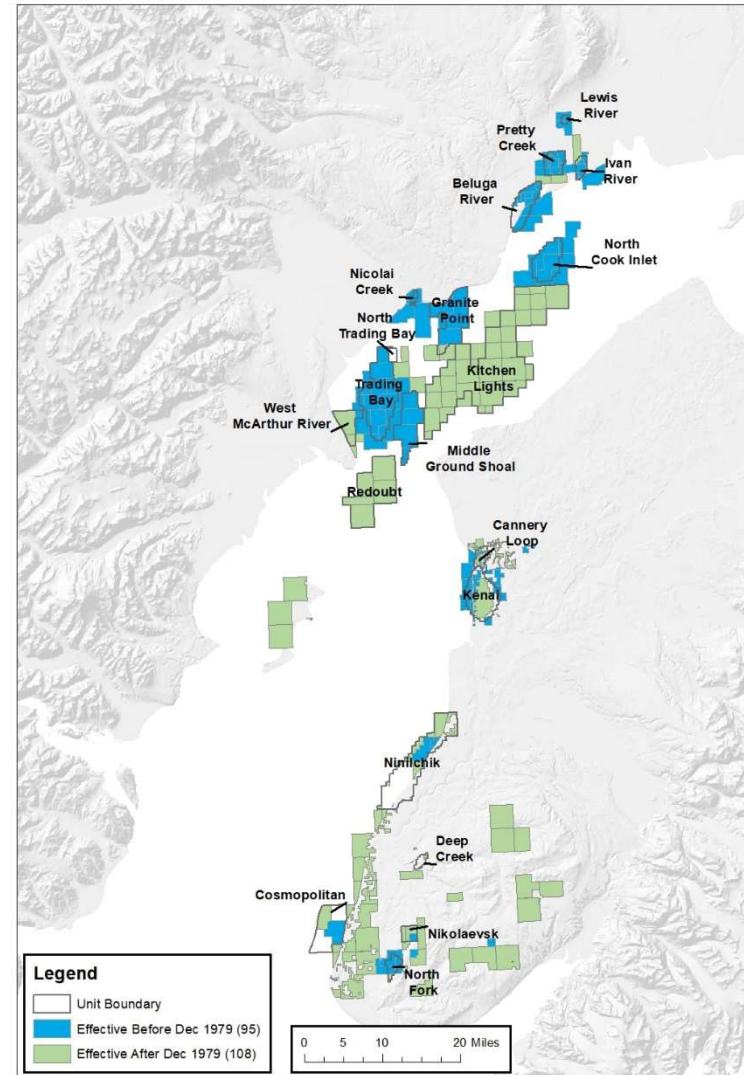
Source: DNR Financial Services, February 2020

DIVISION OF OIL AND GAS - FUNDS DISTRIBUTION OVERVIEW-

ROYALTY		
FUND TYPE	DL-1: LESASES BEFORE DECEMBER 1979	NFC: NEW FORM LEASES AFTER DECEMBER 1979
Permanent Fund	25%	50%
General Fund	74.5%	49.5%
School Fund	0.5%	0.5%

NET PROFIT SHARE LEASES	
Permanent Fund	50%
General Fund	49.5%
School Fund	0.5%

Distribution of Leases by December 1, 1979 Effective Date
Cook Inlet



DIVISION OF OIL AND GAS - FUNDS DISTRIBUTION OVERVIEW-

Active NPSL leases on the North Slope

Unit	ADL #	Net profit share rate	Royalty rate	Reached payout already?
Colville River	364470	30.00%	12.50%	yes
	364471	30.00%	12.50%	yes
	364472	30.00%	12.50%	no
Duck Island	312828	79.59%	20.00%	yes
	312834	48.87%	20.00%	yes
Kuparuk River	355023	30.00%	12.50%	no
	355024	30.00%	12.50%	no
	355030	30.00%	12.50%	no
	355032	30.00%	12.50%	no
Milne Point	355016	40.00%	12.50%	yes
	355017	40.00%	12.50%	yes
	355018	30.00%	12.50%	yes
	355021	30.00%	12.50%	yes
Nikaitchuq	388235	30.00%	12.50%	yes
	391283	30.00%	12.50%	no
Ooguruk	355036	30.00%	12.50%	yes
	355037	30.00%	12.50%	no
	355038	30.00%	12.50%	yes
	355039	30.00%	12.50%	no
Point Thomson	312866	52.35%	20.00%	no
	343109	40.00%	12.50%	no
	343110	40.00%	12.50%	no
	343111	40.00%	12.50%	no
	343112	40.00%	12.50%	no

FUTURE NORTH SLOPE PROJECTS

Project	Status: January 2019	Status: January 2020	Production Rate Estimates
CD5 2nd Expansion	Planned	<ul style="list-style-type: none"> Ongoing drilling Q1 2020. 	Adding over 10,000 barrels of oil per day to CD5 production
GMT 2	GMT2 Sanctioned in Oct 2018	<ul style="list-style-type: none"> Under construction. First oil expected in YE 2021. 	Peak rate: 35,000 to 40,000 barrels of oil per day
Pikka	Single phased development with first oil in 2023	<ul style="list-style-type: none"> -Now planned for 2-phases; start of production (Phase 1: 2022; Phase 2: 2024); -To move to FEED after 15% divestment of interests 	Peak rate: 135,000 barrels of oil per day
Willow	Announced first oil date: Earliest 2023; 2024-2025	<ul style="list-style-type: none"> Plan to submit Supplemental EIS. Record of decision expected Q42020 Announced first oil: 2025-2026 	Peak rate: 130,000 barrels of oil per day
Liberty	Final EIS (August 2018). Record of Decision (Oct 2018) Start up in ~2022	<ul style="list-style-type: none"> Final EIS (August 2018). Record of Decision (Oct 2018) Start up in ~2022 Pending litigation on Fed decision 	Peak rate: 60,000 to 70,000 barrels of oil per day

THANK YOU!

