

Amanda Ryder

From: Boomershine, Laura O (DNR) <laura.boomershine@alaska.gov>
Sent: Friday, February 5, 2021 3:55 PM
To: Amanda Ryder
Cc: Pete Ecklund
Subject: DNR Production Forecast, SFIN Follow-up
Attachments: DNR SFIN Questions and responses_02052021.pdf

Good Afternoon Amanda,

Thank you for the compiled list of questions from the committee. I've attached DNR's response with updated slides.

Please let me know if you or the committee has any questions.

Have a great weekend,

Laura Boomershine
317-5183

From: Amanda Ryder <Amanda.Ryder@akleg.gov>
Sent: Thursday, January 28, 2021 10:50 AM
To: laura.ogan@alaska.gov
Cc: Pete Ecklund <Pete.Ecklund@akleg.gov>; Amanda Ryder Amanda.Ryder@akleg.gov>
-Subject: DNR Questions

Hello Laura – Our office has compiled the Senate Finance Committee questions from its 1/26 meeting. These questions are attached.

Please let me know if you think we have missed something or if you need additional clarification.

Thanks!

Amanda

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SLIDES IN RESPONSE TO SFIN QUESTIONS TO DNR FROM 1/27/2021 PRODUCTION FORECAST HEARING

- Reconciliation of discrepancy in historic production rates reported by DNR and those reported by DOR in the Revenue Sources Book (RSB) (re: slide 5)
- North Slope historic and forecasted (Fall 2020) decline rates (ref: slide 5 & 15)
- Historic North Slope production and impact of “Post 1988” discoveries
- Fiscal Year (FY) 2021 actual production for first 5 months compared to forecast (ref: slide 8) with FY 2022 forecast range added for reference
- Prudhoe Bay Unit production showing seasonal variance (ref: slide 9) consolidated into quarterly tranches
- Point Thomson Unit overview of production and field up-time since start up

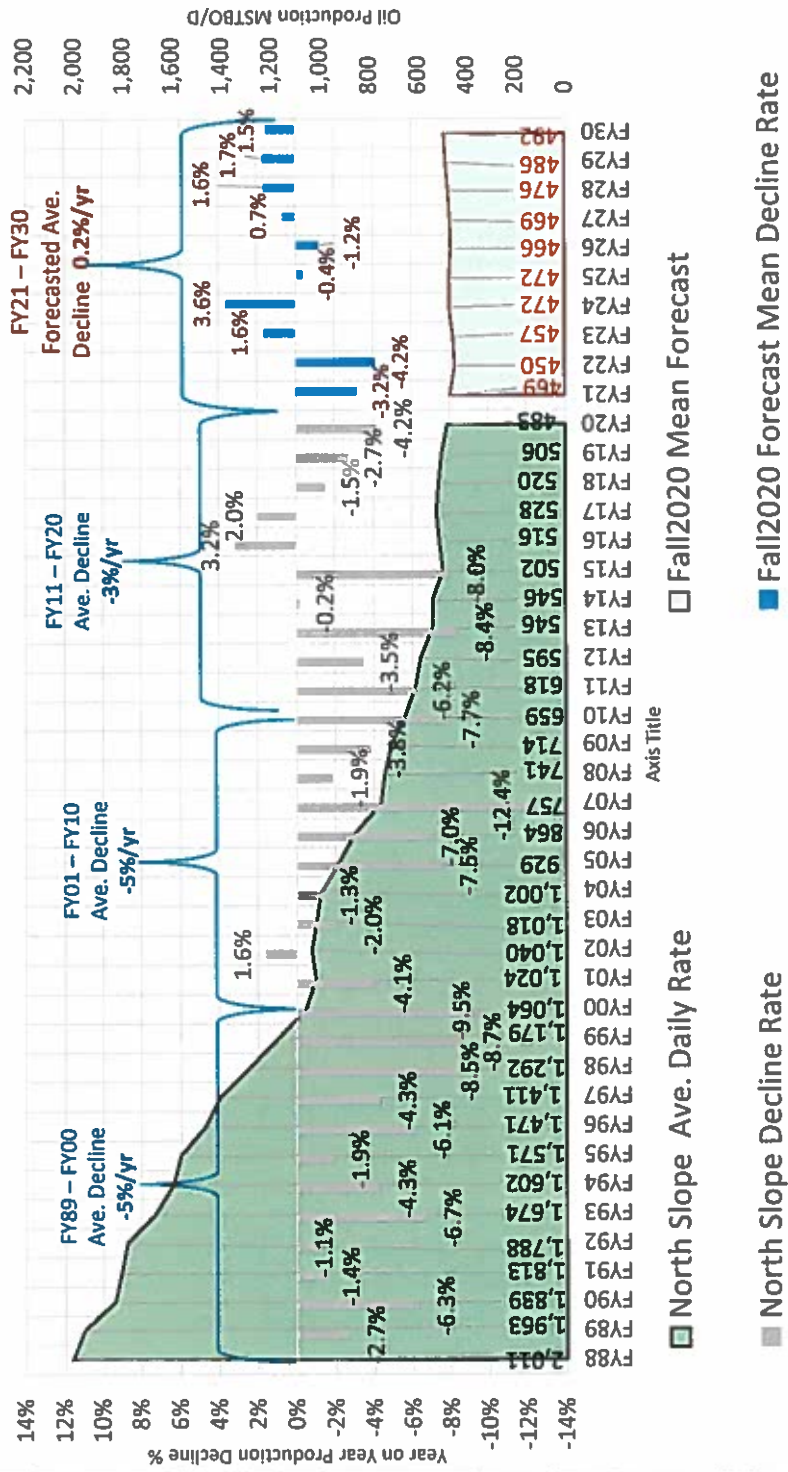
DIFFERENCES IN HISTORICAL NORTH SLOPE PRODUCTION REPORTED BY DNR (AOGCC) AND RSB

Slide 5: Historical North Slope production reported by the DNR across the last five Fiscal Years (FY2016 - FY2020) showed a discrepancy with those published in the Fall 2020 Revenue Sources Book (RSB).

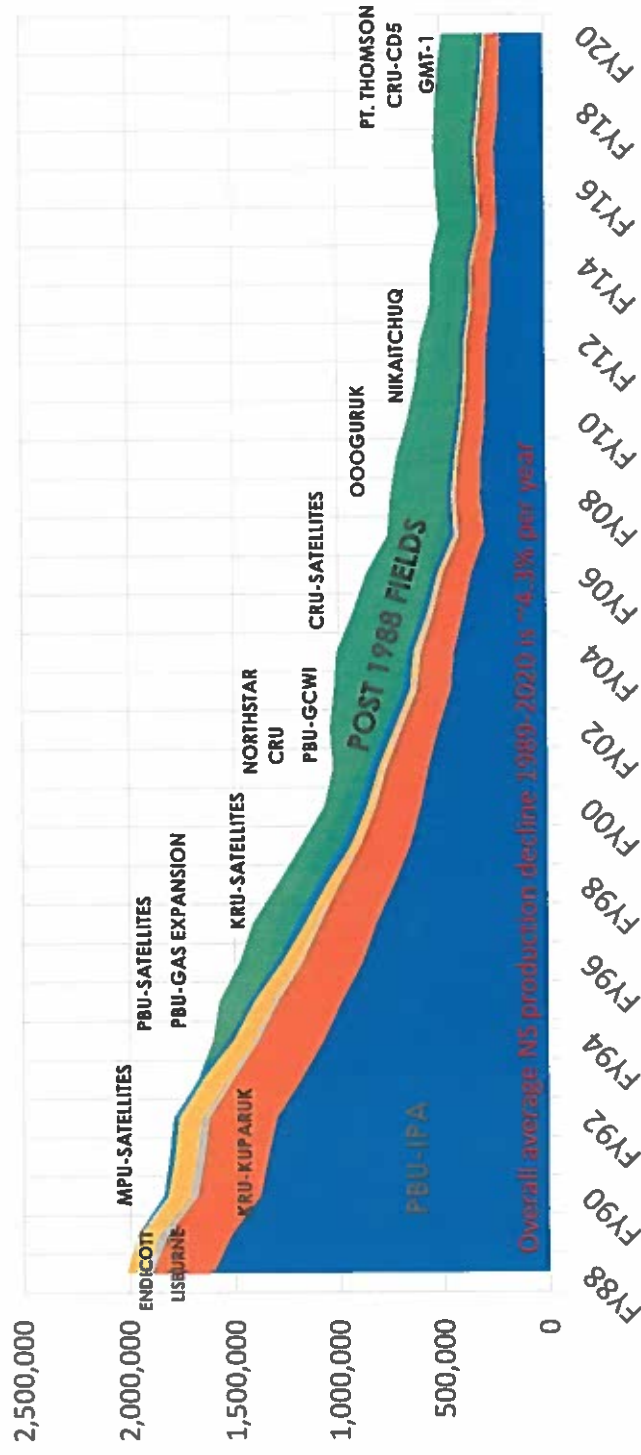
- DNR reports those production volumes tracked, compiled, and published by the Alaska Oil and Gas Conservation Commission (AOGCC). These volumes embody all volumes produced from each well, reservoir, and field on the North Slope and are the historical production volumes used by the DNR in forecasting future reservoir performance.
- Production volumes reported by DOR and published in the RSB represent **volumes subject to production tax**.
 - For FY's 2019 & 2020, the bulk of the discrepancy can be accounted for due to the exclusion of the ~10,000 barrels of natural gas liquids (NGLs) produced at PBU and exported to KRU to be used in Enhanced Oil Recovery (RSB; Chapter 6, page 48)
 - These NGL barrels are excluded by DOR due to not being tax bearing at the time of transfer. It should be noted however, that they are royalty bearing at the time of transfer.
 - Other reasons for minor differences are due to the different data sources. Volumes reported to AOGCC may not match the volumes reported by the taxpayer on their production tax returns for various reasons. DOR relies on the best and most current data set that they have, and that is the information from the production tax returns.

OVERALL PERSPECTIVE: NORTH SLOPE

North Slope Average Oil+NGL Rate & Year/Year Decline

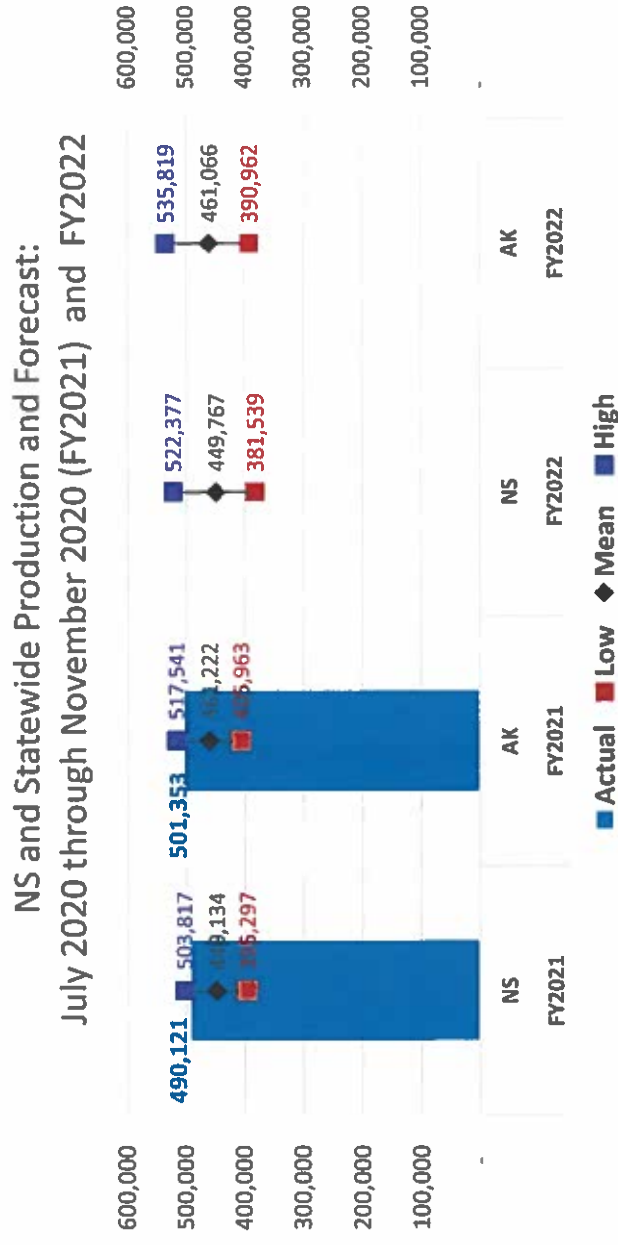


NORTH SLOPE NEW DISCOVERIES IN THE CONTEXT OF NORTH SLOPE HISTORICAL PRODUCTION



- Since 1988, North Slope production, including all activity and new fields coming online, has demonstrated a consistent average exponential annual decline rate of ~5% per year
- New additions since 1988 have added over 2 Billion barrels of oil production
- Some new fields, e.g CRU peaked at 140MBOPD, comparable to expected peaks of current new discoveries
- Some expected major new fields/additions include the following: Pikka, Willow, GMT2

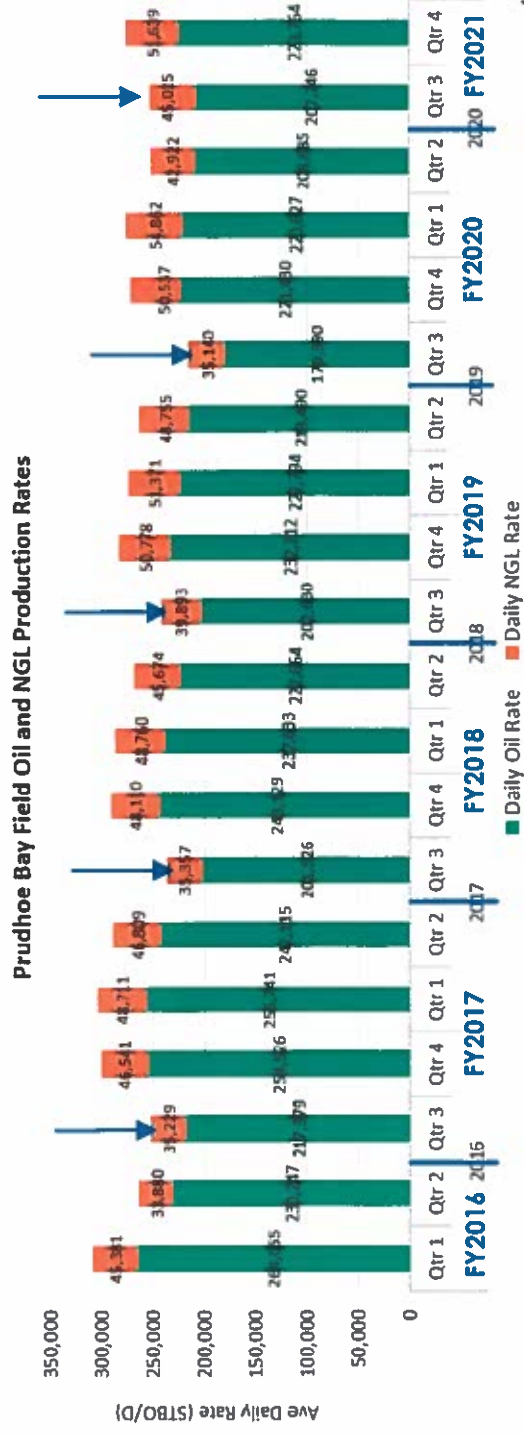
FALL 2020 PRODUCTION FORECAST: FY 2021 OUTLOOK



- For the first 5 months of FY2021 (July 2020 to Nov 2020), on average, daily production has come in within the range forecasted by the DNR.
- Difference between average daily production and mean forecasted statewide production is ~40,000 bbl; related to operational and production ramp-up timing decisions

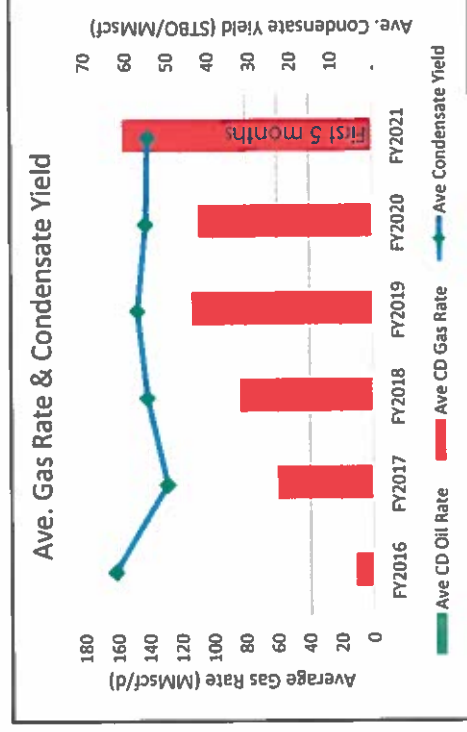
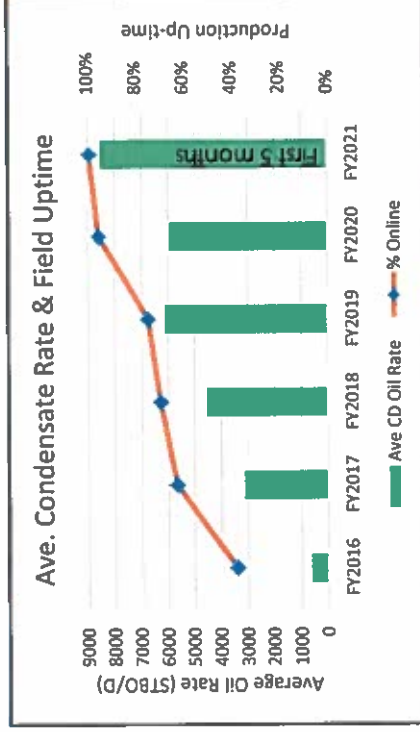
FY2021: PRODUCTION VARIANCE JULY – NOV 2020

- Deferred/forestalled summer turnaround maintenance (TAR) benefits summer oil and NGL production
- Ongoing production optimization efforts improve facility efficiency, as well as facility and well uptimes.



POINT THOMSON UNIT:

- High pressure (~10,000 psi) retrograde condensate reservoir
- PTU IPS designed to cycle 200 MMscf gas per day and deliver up to 10,000 barrels of oil a day to TAPS
- Field came online April, 2016
- Currently 3 active wells: PTU-17 gas producer and PTU15 & PTU16 gas injectors
- Facility reliability issues since start-up impacting field uptime and production rates.
- Replacement and modifications have resulted in increased uptime and production.
- In first 5 months of FY 2021, uptime is 99% with average daily gas rates >150 MMscf/day and average daily condensate rates of ~8,500 barrels/day



Cum Oil to date ~ 9 Million Barrels

Amanda Ryder

From: Boomershine, Laura O (DNR) <laura.boomershine@alaska.gov>
Sent: Thursday, February 18, 2021 1:51 PM
To: Amanda Ryder; Stickel, Daniel R (DOR)
Cc: Pete Ecklund; David Scott; Wojtusik, Genevieve R (DOR)
Subject: RE: DNR Production Forecast additional material

Good Afternoon:

Here is the cumulative royalty revenue from Point Thomson by the lessee from the beginning of production in April 2016 until December 2020:

Lessee	Royalty revenue (see notes below)
Exxon	\$26.58 million
ConocoPhillips (until Oct 2019)	\$1.54 million
BP (until June 2020)	\$11.82 million
Hilcorp (since July 2020)	\$2.07 million
Other lessees	\$0.25 million
Total	\$42.27 million

Note 1: The royalty revenue in the table above was calculated before taking any field cost deductions, which may apply to the DL-1 leases, representing approximately 90% of the current production. DNR and the PTU lessees have a pending dispute on the applicability of field costs as a deduction to royalty revenue from the DL-1 leases. The result of such a dispute may considerably change the royalty revenue reported in the table above.

Note 2: BP acquired the working interest from ConocoPhillips in the unit in November 2019. Hilcorp acquired the working interest from BP in July 2020.

Note 3: The weighted average royalty rate for the current production in the Point Thomson unit is 13.24%.

Thank you,

Laura Boomershine

From: Amanda Ryder <Amanda.Ryder@akleg.gov>
Sent: Tuesday, February 16, 2021 8:03 AM
To: Boomershine, Laura O (DNR) <laura.boomershine@alaska.gov>; Stickel, Daniel R (DOR) <daniel.stickel@alaska.gov>
Cc: Ecklund, Pete (LEG) <Pete.Ecklund@akleg.gov>; Scott, David (LEG) <david.scott@akleg.gov>; Wojtusik, Genevieve R (DOR) <genevieve.wojtusik@alaska.gov>
Subject: RE: DNR Production Forecast additional material

Thank you!

From: Boomershine, Laura O (DNR) <laura.boomershine@alaska.gov>
Sent: Monday, February 15, 2021 2:37 PM
To: Amanda Ryder <Amanda.Ryder@akleg.gov>; Stickel, Daniel R (DOR) <daniel.stickel@alaska.gov>
Cc: Pete Ecklund <Pete.Ecklund@akleg.gov>; David Scott <David.Scott@akleg.gov>; Wojtusik, Genevieve R (DOR)

<genevieve.wojtusik@alaska.gov>

Subject: RE: DNR Production Forecast additional material

Good Afternoon Amanda,

I'll let DOR answer any questions you may have. I've also cc'd Genevieve, DOR's leg liaison, for her awareness. DNR is happy to help with any other follow-up material.

Thank you,

Laura Boomershine

From: Amanda Ryder <Amanda.Ryder@akleg.gov>

Sent: Monday, February 15, 2021 11:29 AM

To: Boomershine, Laura O (DNR) <laura.boomershine@alaska.gov>; Stickel, Daniel R (DOR) <daniel.stickel@alaska.gov>

Cc: Ecklund, Pete (LEG) <Pete.Ecklund@akleg.gov>; Scott, David (LEG) <david.scott@akleg.gov>

Subject: RE: DNR Production Forecast additional material

Laura – Thank you so much for your answers. However, Senator Stedman would like clarification on the following questions and would like the appropriate sections to be answered by the Department of Revenue. I'm hoping Dan can weigh in on the following questions?

- What is the total amount of Pt. Thomson credits that were applied against the company's tax liability?
- What is the total revenue to the state from Pt. Thomson?
- What is the tariff per barrel on Pt. Thomson?

From: Boomershine, Laura O (DNR) <laura.boomershine@alaska.gov>

Sent: Thursday, February 11, 2021 2:05 PM

To: Amanda Ryder <Amanda.Ryder@akleg.gov>

Cc: Pete Ecklund <Pete.Ecklund@akleg.gov>; David Scott <David.Scott@akleg.gov>

Subject: DNR Production Forecast additional material

Good Afternoon Amanda,

Please see the attached slides for the additional information you've requested regarding the production forecast. Below are our responses to questions related to page 7, on the Point Thomson Unit:

- Page 7: "Point Thomson Unit". Following expenditures related to Pt. Thompson questions:
 - What are the state expenditures associated with the development of Pt Thomson?
 - *[Operator expenditures associated with the development of Pt Thomson are typically included in reports filled with DOR, and more easily addressed by the Department, barring any confidentiality concerns. DNR is unaware of any State expenditures in developing the Point Thomson Unit]*
 - What is the net revenue to the state from Pt. Thomson?
 - *[Revenue from PTU and other oil assets include several components such as royalty, production tax, property tax. DNR is directly involved in royalty revenue assessment and for the PTU, ongoing discussions related to royalty revenue valuation make any estimates of royalties very uncertain. The DOR is better suited to address other aspects of revenue to the State]*
 - Provide an update on the tariff cost for Pt. Thomson?
 - *[Tariff cost for Point Thomson could include any adjustments made to the oil price at point of sales (US West Coast) or more simply, Valdez Marine Terminal, to arrive at some value nearest to the PTU. These components might include: shipment costs, pipeline tariff, quality bank and*

others. Some of these tariff elements are not public information or are part of broader ongoing discussions or standing agreements governing valuations related to the asset.]

Please let us know if you have additional questions.

Best,

Laura Ogan Boomershine

Legislative Liaison | Special Projects

Office of the Commissioner | Alaska Department of Natural Resources

ANC 269-8434 | JNU 465-4730 | Cell 317-5183



Amanda Ryder

From: Wojtusik, Genevieve R (DOR) <genevieve.wojtusik@alaska.gov>
Sent: Friday, February 19, 2021 9:09 PM
To: Amanda Ryder
Cc: Stickel, Daniel R (DOR); Glover, Colleen M (DOR); Pete Ecklund; David Scott; Baker, Miles C (GOV); Barnhill, Mike A (DOR); Boomershine, Laura O (DNR)
Subject: FW: DNR Production Forecast additional material

Good evening Amanda,

Thank you for your questions on the Point Thomson Unit. Unfortunately, our responses on this topic are limited due to taxpayer confidentiality. Below we have attempted to answer your questions as best as we can under our statutory restraints.

1) What is the total amount of Pt. Thomson credits that were applied against the company's tax liability?

Due to taxpayer confidentiality rules, we cannot provide totals or details of how credits earned at Point Thomson Unit are applied to taxpayers' tax liability.

2) That is the total revenue to the state from Pt. Thomson?

Due to taxpayer confidentiality rules, we cannot provide data specific to Pt. Thomson for state tax revenue.

Royalties collections from Pt Thomson are publicly available the Department of Natural Resources has responded separately with that information.

3) What is the tariff per barrel on Pt Thomson?

Pt Thomson oil is subject to transportation costs including tariffs for both feeder pipelines and the Trans-Alaska Pipeline System. As of January 1, 2021 the current total tariff per barrel for Pt Thomson oil was \$17.490 per barrel to get from Pt Thomson to the Valdez Marine Terminal. The breakdown of these tariffs is as follows:

Trans Alaska Pipeline System Tariff from Pump Station 1 to Valdez:	\$5.760	(source: ConocoPhillips Transportation Alaska, Inc; FERC No. 19.11.0)
Endicott Pipeline Tariff from Badami/Endicott Connection to Pump Station 1:	\$1.470	(source: Endicott Pipeline Company; FERC No. 32.14.0)
Badami Pipeline Tariff from Badami Unit to Badami/Endicott Connection:	\$1.340	(source: Nutaaq Pipeline LLC; FERC No. 3.12.0)
Pt Thomson Pipeline Tariff from Point Thomson Unit to Badami Unit:	<u>\$8.920</u>	(source: PTE Pipeline LLC; FERC No. 2.8.0)
Total tariff from Pt Thomson to Valdez:	\$17.490	

The source of this data is the FERC eTariff viewer for the respective pipeline orders retrievable from the [FERC.Gov](https://www.ferc.gov) website. These tariff amounts are subject to change under FERC and RCA regulations.

Please let us know if DOR can assist further.

Thank you,

Genevieve Wojtusik
Alaska Department of Revenue
Legislative Liaison
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genevieve.wojtusik@alaska.gov

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Cc: Ecklund, Pete (LEG) <Pete.Ecklund@akleg.gov>; Scott, David (LEG) <david.scott@akleg.gov>
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