

HCR

39

SENATE COMMITTEE REPORT

DATE: 5/8/04

FURTHER:

DATE TURNED
IN TO OFFICE: 5-10-04

Resources Committee considered CS FOR HOUSE CONCURRENT RESOLUTION NO. 39(RLS) am
HCR 39 ALASKA ROYALTY AND REVENUE TASK FORCE

Establishing the Alaska Royalty and Revenue Committee.

and recommends:

- be replaced with S CS CSHCR 39 (RES)
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:	
<input type="checkbox"/>	Same Title
<input checked="" type="checkbox"/>	New Title
House Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input checked="" type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Frank...</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Alfred...</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<i>Ken...</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<i>Ralph...</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CHAIR: <i>Scott...</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Senate CS for CS for House Concurrent Resolution No. 39
Talking Points
May 11, 2004

The Senate's CS for CS for House Concurrent Resolution No. 39 respectfully requests that LB&A retain consultants to study and report on Alaska's oil and gas tax and royalty structures as they compare to regimes in place in other oil and gas producing regions, both on the North American continent and globally. Generally, the studies would:

- Assess the competitiveness of Alaska's fiscal regime;
- Determine what actions would promote development of known oil and gas resources and encourage new exploration and development, while still protecting state interests; and
- Identify alternative ways in which the State can maximize oil and gas revenue over the long-term.

LB&A is being asked to issue a Request for Proposals for the studies by June 15, contract with consultants by July 30, and receive final reports by November 15.

Conducting these studies now is particularly important for two reasons:

- Some have suggested that the Legislature change Alaska's oil and gas taxes; yet changes should only be considered after acquiring hard data on the consequences of change to industry and to the State's treasury; and
- The Legislature may be asked to vote on a proposed Stranded Gas Act contract this year or next, and we need all the facts so we can make the best decision on any proposed contract.



SENATOR SCOTT OGAN 23RD Alaska State Legislature

Senate District H Lazy Mountain * Butte * Chugiak * Peters Creek * Fairview Loop
Knik-Goose Bay * Big Lake * Houston * Willow * Talkeetna * Trapper Creek

State Capitol, Room 103, Juneau Alaska 99801 * (907) 465-3878 * 1 (800) 862-3878 * Fax (907) 465-3265
Senator_Scott_Ogan@legis.state.ak.us Http://www.akrepublicans.org/ogon

FACSIMILE TRANSMITTAL SHEET

TO: <i>Jack Chernoweth</i>	FROM: <i>Linda Hay-S. Res.</i>
COMPANY: <i>Leg Legal</i>	DATE: <i>5-10-04</i>
FAX NUMBER:	TOTAL NO. OF PAGES INCLUDING COVER: <i>2</i>
PHONE NUMBER:	RE: <i>CS for HCR 39</i>

URGENT FOR REVIEW PLEASE COMMENT PLEASE REPLY PLEASE RECYCLE

NOTES/COMMENTS:

*adopted the new work draft
with the following additional
changes.*

*Call y there
all questions
Thank you!!*

Amendments to SCS for CS HCR 39 (RES)
Work Draft Version 23-LS1971\W

Line 1 – Requesting a study and report on the competitiveness of the state's
oil and gas tax and royalty structure.

Conceptual Amendment: all references to consultant should be changed to consultants
Along with all needed grammatical changes

This is a title change – do we get a SCR for this since it is a resolution. The Senate Secretary's office suggested that we might not need one. If needed, please also send that over with the sponsor being the Senate Resources committee.

Bill folder has been turned in to the Senate Secretary and it will be read across today when we go into session.

*adopted
as CS
5-10-04*

23-LS1971\W
Bannister/Chenoweth
5/9/04

SENATE CS FOR CS FOR HOUSE CONCURRENT RESOLUTION NO. 39(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

**Offered:
Referred:**

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, INTERNATIONAL TRADE, AND TOURISM

A RESOLUTION

*competitiveness
of the
competitiveness of the*

1 **Requesting a study and report on the state's oil and gas tax and royalty structure.**

2 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 **WHEREAS** the oil and gas industry operates in a diverse, competitive, and global
4 market; and

5 **WHEREAS** the state receives more than 70 percent of its unrestricted general fund
6 revenue from taxes and royalties on the production of its oil and gas resources; and

7 **WHEREAS** the legislature has a constitutional obligation to develop the state's
8 resources for the maximum benefit of state residents; and

9 **WHEREAS** maximizing oil and gas production and the benefits from oil and gas
10 production is in the best interests of the state; and

11 **WHEREAS** the tax and royalty structures in place in the state's oil and gas sector
12 affect the competitive ability of the state to maintain and attract new capital investments; and

13 **WHEREAS** although a stable and competitive tax structure is important to maintain
14 and attract new capital investments, it is appropriate to reevaluate periodically the state's
15 system of oil and gas taxes as the scope and cost of oil and gas exploration and production
16 operations change over time;

possible

1 **BE IT RESOLVED** that the Alaska State Legislature requests the Legislative Budget
2 and Audit Committee to contract with ~~a~~ consultant^{who} ^{have} expertise in domestic and global
3 oil and gas fiscal structures to perform a comprehensive study of the state's oil and gas tax and
4 royalty structure and prepare a report on the results of the study; and be it

5 **FURTHER RESOLVED** that the Legislative Budget and Audit Committee shall
6 issue a request for proposals by June 15, 2004, to select the consultant^s to perform the study
7 and contract with the consultant^s by July 30, 2004, or as soon after that date as is practicable;
8 and be it

9 **FURTHER RESOLVED** that the study to be performed by the consultant^s must
10 identify alternative state revenue and industry incentive structures that, after considering the
11 probable range of world oil and gas prices, would maximize the state's oil and gas revenue
12 over the long term, promote development of known oil and gas resources, and encourage
13 additional exploration and development; and be it

14 **FURTHER RESOLVED** that the study to be performed by the consultant^s must
15 analyze the consequences of existing and alternative oil and gas tax structures on the state's
16 competitiveness in maintaining existing oil and gas industry investment and attracting new oil
17 and gas industry investment; and be it

18 **FURTHER RESOLVED** that the consultant^s shall document the results of the study
19 in a final report and provide the report to the Legislative Budget and Audit Committee not
20 later than November 15, 2004; and be it

21 **FURTHER RESOLVED** that the Legislative Budget and Audit Committee shall
22 submit the report provided by the consultant to the Twenty-Third Alaska State Legislature not
23 later than December 15, 2004, by submitting it to the Alaska Legislative Council.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SCSCSHCR 39(RES)
() Publish Date: 5/10/2004

Revision Date/Time (Note if correction): _____ Dept. Affected: Legislature
Title Study and report on the competitiveness of BRU Legislative Budget and Audit Com
State's oil and gas tax and royalty structure Component: Committee Expenses
Sponsor House Resources by Request of EDT
Requestor House Rules Committee Component No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

FY 04

Any FY 04 costs related to a study and report on the competitiveness of the State's oil and gas tax and royalty structure will be absorbed within the committee's existing FY04 appropriations.

FY 05

The study and report on the competitiveness of the State's oil and gas tax and royalty structure can be funded within the expected FY 05 operating appropriation for the Legislative Budget and Audit Committee, Committee Expense component.

Prepared by: Pat Davidson Phone 465-3830
Division: Division of Legislative Audit Date/Time 5/10/04 5:23 PM
Approved by: Representative Samuels Date 5/10/2004
Agency: Chair, Legislative Budget and Audit Committee

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHCR 39(RLS)
(H) Publish Date: 5/7/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Legislature
Title Establishing the Alaska Royalty and BRU Legislative Council
Revenue Commission Component: Council and Subcommittees
Sponsor House Resources by Request of EDT
Requestor House Rules Committee Component No. 783

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	75.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	500.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	575.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	575.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	575.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: _____

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time	1	0	0	0	0	0
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

CSHCR 39 (RLS) establishes a seven member Alaska Royalty and Revenue Committee to review and analyze the State's current oil and gas royalty and tax structures. The Committee will craft policies for recommendation to the 24th Legislature that would maximize the long-term benefits of oil and gas resources to the State. The Committee will begin work on June 1, 2004, may meet during the interim, and will submit a report and proposed legislation to the Legislative Budget and Audit Committee who will present the report to the Twenty-Fourth Legislature. The Committee will terminate not later than the adjournment of the First Regular Session of the Twenty-Fourth Alaska State Legislature.

Prepared by: Karla Schofield, Deputy Director Phone 465-6626
Division Administrative Services Date/Time 5/6/04 3:38 PM
Approved by: Pamela Varni, Executive Director Date 5/6/2004
Agency Legislative Affairs Agency

ANALYSIS CONTINUATION

2004 Legislative Session

FY04

Any FY04 costs for the Alaska Royalty and Revenue Committee will be absorbed within existing budgets.

FY05

Personal Services

The Committee will be staffed by an 11 month Legislative Assistant Range 21

Personal Services \$ 75.0

Travel

Travel costs for members of the Committee will be absorbed within existing budgets.

Contractual

The Committee will retain consultants with expertise in global oil and gas fiscal structures to perform a comprehensive study and report on the State's oil and gas tax and royalty regime. The study shall identify alternate State revenue and industry incentive structures that maximize the State's oil and gas revenue, promote development of known oil and gas resources, and encourage additional exploration and development with consideration of the widest possible range of world oil prices. The study shall analyze the consequences of existing and alternate tax structures on Alaska's competitiveness in maintaining existing and attracting new industry investment.

The Committee shall submit the consultants report of findings to the Legislative Budget and Audit Committee who shall present the report to the 24th Alaska Legislature.

Costs for teleconferencing meetings and printing additional copies of the Committee report will be absorbed within existing budgets.

Contractual \$ 500.0

Supplies

Supplies for the Task Force will be absorbed within existing budgets.

Equipment

Equipment for the Legislative Assistant will be absorbed within existing budgets.

SESSION

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Alaska State Legislature

House Special Committee on Economic Development; International Trade & Tourism
REPRESENTATIVE CHERYLL BOREN HEINZE, CHAIR

Sponsor Statement for HCR 39

The State of Alaska is in the oil business. The strength of the oil and gas sector is critical to Alaska's economy, and the revenue the State receives from oil and gas development is crucial to the State's budget.

Alaska's major oil and gas taxes are the:

- The oil and gas property production (severance) tax (AS 43.55), which was last significantly revised in 1989.
- The oil and gas corporate income tax (AS 43.20.072), which was last significantly revised in 1981.
- The oil and gas exploration, production, and pipeline property tax (AS 43.56), which was last revised in 1973.

Revenue from oil and gas development contributed 84% of the State's unrestricted general fund revenue in FY 2003. Royalties from the production provided half of the unrestricted revenue the state received from oil and gas production in FY 2003.

Since the state has a vested interest in both the taxation and in the production of oil and gas, it would be imprudent of the State to consider any one revenue mechanism in isolation.

HCR 39 would establish the Alaska Royalty and Revenue Commission to examine the entirety of the state's oil and gas revenue system and the competitiveness of that system in a global context.

The commission would hire global experts to analyze the state's oil and gas revenue system for the commission.

HCR 39 will establish a forum for the complete and concrete analysis of Alaska's oil and gas royalty and revenue system.

Alaska State Legislature

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Rep.Cheryll.Heinze@legis.state.ak.us

Representative Cheryll Heinze
District 24 - Anchorage

TO: Senator Ogan, Chairman Senate Resources
Committee

DATE: May 8th, 2004

I would request that you schedule HCR 39 for a hearing in the Senate
Resources Committee

Enclosed are:

1. Sponsor Statement
2. CSHCR 39 (RLS)
3. Fiscal Note from the Legislative Affairs Agency
4. Selected Pages from the Spring 2004 Revenue Sourcebook
5. Wood Mackenzie Study on Alaska's Competitiveness

Sincerely,

Representative Cheryll Heinze

B. Unrestricted General Purpose Revenue

Unrestricted General Purpose Revenue is the amount generally used for budget planning purposes and is designated in budget documents as general fund revenue. The table on the next two pages sets out actual FY 2003 Unrestricted General Purpose Revenue and our revised projections for FY 2004 and 2005.

We forecast Unrestricted General Purpose Revenue by first estimating General Fund and Unrestricted Revenue, which includes all unrestricted revenue items in the Alaska State Accounting System (AKSAS), as well as certain program receipts. After consulting with the Governor's Office of Management and Budget and the Legislature, we adjust our forecast of General Fund Unrestricted Revenue to derive a forecast of total Unrestricted General Purpose Revenue. Reductions include: (1) earmarking revenue for specific programs, (2) pass-through revenue for qualified regional aquaculture and dive fishery associations, and (3) revenue shared with local governments and organizations (e.g., fisheries taxes.) Additions include transfers from the unclaimed property trust.

Table 2-4. Unrestricted General Purpose Revenue
\$ Million

	Actual FY 2003	FY 2004	FY 2005
OIL REVENUE			
<u>Property Tax</u>	48.7	48.5	45.6
<u>Corporate Income Tax</u>	151.1	240.0	200.0
<u>Production Tax</u>			
Oil and Gas Production	589.8	628.2	499.9
Oil and Gas Hazardous Release	<u>9.2</u>	<u>9.2</u>	<u>9.3</u>
Subtotal Production Tax	599.0	637.4	509.2
<u>Royalties</u>			
Mineral Bonuses and Rents	9.6	10.4	16.1
Oil and Gas Royalties	825.7	1,010.1	880.6
Interest Paid	<u>5.0</u>	<u>2.1</u>	<u>2.1</u>
Subtotal Royalties	840.3	1,022.6	898.8
Subtotal Oil Revenue	1,639.1	1,948.5	1,653.6
OTHER REVENUE (EXCEPT FEDERAL & INVESTMENT)			
<u>Other Tax</u>			
<u>Sales and Use</u>			
Alcoholic Beverage	14.1	15.7	15.7
Cigarette	9.6	9.5	9.5
Other Tobacco Product	6.7	6.8	7.2
Insurance Premium	39.0	42.6	44.7
Electric and Telephone Cooperative	0.2	0.2	0.2
Motor Fuel Tax	37.2	39.0	39.0
Rental Vehicle Tax	0.0	1.0	6.0
Tire Fee	<u>0.0</u>	<u>0.8</u>	<u>2.6</u>
Subtotal	106.8	115.6	124.9
Corporate Income Tax	47.7	45.0	50.0
<u>Fish Tax</u>			
Fisheries Business	13.8	11.6	11.3
Fishery Resource Landing	<u>6.9</u>	<u>1.7</u>	<u>2.7</u>
Subtotal	20.7	13.3	14.0
<u>Other</u>			
Mining	0.4	0.7	3.0
Estate	<u>.2</u>	2.1	0.6
Charitable Gaming	<u>2.6</u>	<u>2.5</u>	<u>2.5</u>
Subtotal	4.2	5.3	6.1
Subtotal Other Tax	179.4	179.2	195.0

(continued on next page)

Table 2-4. Unrestricted General Purpose Revenue, cont.
\$ Million

	Actual FY 2003	FY 2004	FY 2005
OTHER REVENUE (EXCEPT FEDERAL & INVESTMENT)			
<u>Charges for Services</u>			
General Government	10.3	11.3	13.3
Natural Resources	1.7	1.7	1.7
Other	<u>1.9</u>	<u>1.9</u>	<u>1.9</u>
Subtotal Charges for Services	13.9	14.9	16.9
<u>Licenses and Permits</u>			
Motor Vehicle	30.3	42.9	45.3
Other	<u>3.3</u>	<u>3.3</u>	<u>3.3</u>
Subtotal Licenses and Permits	33.6	46.2	48.6
<u>Fines and Forfeitures</u>			
	7.0	13.0	13.0
<u>Rents and Royalties</u>			
Land Leasing, Rental and Sales	5.4	6.0	6.2
Coal Royalties	0.6	0.8	0.8
Cabin Rentals	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
Subtotal Rents and Royalties	6.2	7.0	7.2
<u>Other</u>			
Miscellaneous	9.4	10.0	10.0
Unclaimed Property	<u>0.0</u>	<u>11.5</u>	<u>4.0</u>
Subtotal Other	9.4	21.5	14.0
Subtotal Other Revenue (Except Federal & Investment)	249.5	281.8	294.7
INVESTMENT REVENUE			
<u>Investments</u>	28.2	11.0	10.5
<u>Interest Paid by Others</u>	<u>30.8</u>	<u>4.0</u>	<u>2.3</u>
Subtotal Investment Revenue	59.0	15.0	12.8
TOTAL UNRESTRICTED REVENUE	1,947.6	2,245.3	1,961.1

Alaska Benchmarking Study: Global Oil & Gas Risks & Rewards

Alaska Benchmarking Study 2002

Alaska's Global Ranking

*Alaska Oil & Gas Association
March 2004*

ALASKA BENCHMARKING STUDY

The Alaska Benchmarking Study: Global Oil & Gas Risks & Rewards covers 61 areas within 50 countries. It is a multi-client study completed by Wood Mackenzie in September 2002.

PURPOSE

- 1. To provide a global comparison of relative attractiveness for future E&P investment based upon**
 - Risked exploration values
 - Value of remaining production from existing developments

- 2. To evaluate the impact of Government Take in each area**
 - Based on actual data, not standardized model fields

ABOUT WOOD MACKENZIE

Wood Mackenzie is an international consulting firm with offices in Edinburgh, Scotland, London, Houston, Boston, Moscow, Sydney, Tokyo and Beijing.

The firm has been providing consultancy services and research products to the energy and life sciences industries for over 25 years. Energy sector clients include:

- Major multinationals such as BP, ChevronTexaco, ExxonMobil, Shell, TOTAL
- Independent exploration and production companies such as BHP Billiton, Burlington, Marathon, Norsk Hydro, UNOCAL
- Regional and national oil companies such as EGPC, Gazprom, NIOC, PDVS, Pemex, Petronas, Sonatrach
- Governments and regulators worldwide

Coverage: 61 areas within 50 countries

Americas

Alaska
Argentina
Bolivia
Brazil - shelf
Brazil - deep water
Canada - East Coast
Colombia
Ecuador
Peru
Trinidad & Tobago - offshore
USA GoM - deep water
Venezuela

Europe

Denmark
Ireland
Italy
Netherlands - onshore
Netherlands - offshore
Norway - shelf

UK - shelf

UK - Southern Gas Basin

West Africa

Angola - shelf
Angola - deep water
Cameroon
Congo (Brazzaville)
Cote d'Ivoire
Equatorial Guinea
Gabon - onshore
Gabon - offshore
Nigeria - onshore
Nigeria - shelf
Nigeria - deep water
Sudan

Middle East/Caspian

Azerbaijan
Iran
Kazakhstan
Oman
Qatar
Turkmenistan
Yemen

North Africa

Algeria
Egypt - onshore
Egypt - offshore
Libya
Tunisia

Indian

Sub-Continent
Bangladesh
India
Pakistan

Asia Pacific

Brunei

China - offshore
Indonesia - onshore
Indonesia - shelf

Malaysia

Malaysia-Thai JDA
Myanmar
Philippines
Thailand
Vietnam

Australasia

Australia - offshore
New Zealand
Papua New Guinea
Timor Gap

Total Government Take

Alaska ranks 36 out of 61

Total Government Take (federal and state) is calculated to be 64%. State share is approximately 47% and includes royalties, production tax, corporate income tax, property tax and net profit shares. The actual and projected ELF, based on field size, is used in these calculations.

Economic assumptions: Brent marker price=US\$19.50 bbl (2002) increasing 2.5% per annum.

Note: From December 1990 to February 2003, the median price of ANS West Coast spot was \$17.77 per/bbl. The State of Alaska Department of Revenue forecast to FY 2010 is \$22 per/bbl.

(Spring 2003 Revenue Sources Book, State of Alaska Department of Revenue).

Weighted Average Total Costs

Alaska ranks 60 out of 60

This ranking is the weighted average of all North Slope fields starting production since 1995. (Earlier studies have confirmed that the per/bbl costs for Prudhoe and Kuparuk are among the highest in the world.) Costs include operating, cost of capital, all transportation including pipeline and marine.

** Nigeria (onshore) excluded from this portion of the study.*

Average Post-Take Value

Alaska ranks 55 out of 61

Aggregating the Government Take, which is higher than average, with the weighted average total costs, which are the highest of the 60 worldwide oil and gas provinces studied, the average post-take value of remaining production on the North Slope ranks 55 out of 61.

THE
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DOCUMENT(S)
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ALASKA'S GLOBAL RANKING

Alaska Benchmarking Study: Global Oil & Gas Risk & Rewards

	Total Government Take	Weighted Average Total Costs	Average Post-Take Value (US\$/boe)
1	Cameroon 10.86%	Qatar 1.38	Cameroon 7.83
2	Ireland 19.92%	Iran 1.61	Ireland 5.76
3	Canada (East Coast) 35.17%	Egypt (offshore) 1.73	UK (shelf) 5.50
4	New Zealand 37.51%	Malaysia-Thailand JDA 1.87	Philippines 5.40
5	UK (shelf) 40.77%	Bangladesh 2.31	USA (GoM deep water) 5.33
6	Netherlands (offshore) 41.92%	Oman 2.40	Papua New Guinea 5.21
7	USA (GoM deep water) 42.10%	Indonesia (offshore) 2.56	Netherlands (offshore) 4.48
8	Italy 42.62%	Australia (offshore) 2.59	Italy 4.43
9	China (offshore) 42.81%	Malaysia 2.73	Denmark 4.35
10	UK (S. Gas Basin) 43.54%	Pakistan 2.77	Congo (Brazzaville) 4.26
11	Pakistan 45.46%	Egypt (onshore) 3.41	UK (S. Gas Basin) 4.12
12	Australia (offshore) 45.51%	Myanmar 3.47	Canada (East Coast) 4.10
13	Philippines 46.12%	India 3.54	China (offshore) 4.04
14	Argentina 46.93%	Venezuela 3.79	New Zealand 3.49
15	Denmark 47.20%	Brunei 3.82	Brazil (shelf) 3.25
16	Brazil (shelf) 47.88%	Algeria 3.93	Yemen 3.21
17	Venezuela 49.56%	Timor Gap 4.01	Australia (offshore) 2.97
18	Congo (Brazzaville) 50.57%	Libya 4.07	Egypt (onshore) 2.87
19	Thailand 50.85%	Bolivia 4.70	Equatorial Guinea 2.75
20	Kazakhstan 51.88%	Nigeria (shelf) 4.72	India 2.74
21	Papua New Guinea 52.27%	Netherlands (onshore) 4.78	Venezuela 2.73
22	Myanmar 54.00%	Argentina 4.79	Myanmar 2.70
23	Cote d'Ivoire 55.34%	Nigeria (deep water) 5.25	Pakistan 2.85
24	Bolivia 55.71%	New Zealand 5.32	Angola (shelf) 2.56
25	Malaysia-Thailand JDA 56.21%	Trinidad & Tobago (offshore) 5.39	Gabon (onshore) 2.54
26	Colombia 57.12%	Philippines 5.46	Tunisia 2.52
27	Ecuador 57.75%	Yemen 5.52	Netherlands (onshore) 2.50
28	Equatorial Guinea 58.69%	Peru 5.67	Gabon (offshore) 2.44
29	Angola (deep water) 59.93%	Indonesia (onshore) 5.72	Thailand 2.36
30	Brazil (deep water) 60.19%	USA (GoM deep water) 5.84	Nigeria (deep water) 2.33
31	Bangladesh 61.18%	Thailand 5.85	Brazil (deep water) 2.27
32	Azerbaijan 61.54%	Brazil (shelf) 5.96	Egypt (offshore) 2.26
33	Netherlands (onshore) 61.67%	Kazakhstan 6.15	Argentina 2.24
34	Tunisia 63.07%	Angola (deep water) 6.22	Cote d'Ivoire 2.23
35	Timor Gap 63.94%	Tunisia 6.27	Ecuador 2.18
36	USA (Alaska) 64.24%	Netherlands (offshore) 6.28	Colombia 2.12
37	Nigeria (deep water) 64.62%	Sudan 6.41	Angola (deep water) 2.10
38	India 66.82%	Colombia 6.50	Vietnam 2.05
39	Turkmenistan 68.06%	Brazil (deep water) 6.67	Algeria 1.92
40	Vietnam 68.55%	Vietnam 6.73	Sudan 1.90
41	Trinidad & Tobago (offshore) 69.00%	Italy 6.74	Malaysia-Thailand JDA 1.87
42	Indonesia (offshore) 71.01%	Cameroon 6.79	Turkmenistan 1.77
43	Algeria 71.72%	Cote d'Ivoire 6.94	Indonesia (offshore) 1.58
44	Gabon (offshore) 71.81%	Equatorial Guinea 6.96	Kazakhstan 1.55
45	Egypt (offshore) 73.04%	Gabon (onshore) 7.03	Oman 1.54
46	Gabon (onshore) 73.38%	Azerbaijan 7.12	Brunei 1.52
47	Brunei 73.90%	Ireland 7.19	Libya 1.51
48	Angola (shelf) 74.11%	Ecuador 7.43	Azerbaijan 1.49
49	Egypt (onshore) 74.27%	Denmark 7.45	Indonesia (onshore) 1.41
50	Norway 74.74%	UK (S. Gas Basin) 7.51	Norway 1.39
51	Peru 75.04%	Turkmenistan 7.54	Bangladesh 1.37
52	Yemen 75.36%	Gabon (offshore) 7.93	Timor Gap 1.35
53	Sudan 76.96%	Congo (Brazzaville) 8.05	Nigeria (shelf) 1.06
54	Libya 78.73%	China (offshore) 8.21	Malaysia 0.99
55	Qatar 79.09%	Papua New Guinea 8.64	USA (Alaska) 0.90
56	Indonesia (onshore) 80.13%	Angola (shelf) 8.65	Nigeria (onshore) 0.85
57	Malaysia 81.24%	Norway 8.76	Qatar 0.76
58	Oman 83.19%	UK (shelf) 8.79	Trinidad & Tobago (offshore) 0.69
59	Nigeria (onshore) 87.21%	Canada (East Coast) 10.58	Peru 0.58
60	Nigeria (shelf) 87.44%	USA (Alaska) 12.52	Bolivia 0.56
61	Iran 83.26%	*Excludes Nigeria (onshore)	Iran 0.20

Source: Wood Mackenzie Study - September 2002
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