

**04/09/14
PRESENTATIONS
SPRING
REVENUE
SOURCES BOOK
AND UPDATES
FROM THE
FIELD**

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SPRING REVENUE SOURCES BOOK AND UPDATES FROM THE
FIELD</SUBJECT><COMM>SRES28</COMM></TARGET>

ALASKA STATE LEGISLATURE

Sen. Cathy Giessel, Chair
Sen. Fred Dyson, Vice Chair
Sen. Lesil McGuire
Sen. Anna Fairclough
Sen. Click Bishop
Sen. Peter Micciche
Sen. Hollis French



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Senate Resources Committee

Butrovich Room 205
Wednesday, April 9, 2014
3:30 p.m. - 5:30 p.m.

AGENDA

- **Spring Revenue Sources Book**
 - ❖ **Department of Revenue**
 - Deputy Commissioner Mike Pawlowski
 - Deputy Commissioner Bruce Tangeman

- **Updates from the Field**
 - ❖ **Repsol**
 - Bill Hardham, Alaska Project Manager
 - ❖ **ConocoPhillips Alaska**
 - Scott Jepsen, Vice President External Affairs
 - ❖ **ExxonMobil Development Company**
 - Sofia Wong, Infrastructure and Pipeline Manger-Point Thomson Project
 - ❖ **BP Exploration (Alaska) Inc.**
 - Frank Paskvan, Alaska Technology Manager, Prudhoe Bay



Revenue Sources Book 2014 Spring



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of
Revenue

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April 7, 2014

The Honorable Sean Parnell, Governor of Alaska
P.O. Box 110001
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Dear Governor Parnell:

I am pleased to present to you the Department of Revenue's spring 2014 forecast. The spring forecast is an annual update to the fall forecast of state revenues for you, the Alaska Legislature, and the Alaska public. This update is a collaborative effort among the Department of Revenue, the Alaska Permanent Fund Corporation, and the Office of Management and Budget. A more comprehensive forecast will occur in the fall, which should clarify many of the uncertainties surrounding recent company announcements.

In general, the forecast shows more Alaska oil production, especially in fiscal years 2016 and beyond. However, there are some short-term revisions in our production and revenue forecast that relate to increased drilling activity as well as revisions to planned summer 2014 maintenance on the North Slope. Based on actual production data, we have revised our expectations upward for fiscal year 2014 by 13,600 barrels per day.

The spring forecast for General Fund Unrestricted Revenue for FY 2014, is \$374 million (7.6%) higher and, for FY 2015, is \$9 million (-0.2%) lower than the previous forecast. The remainder of the ten-year forecast shows a modest increase in unrestricted revenue projections. I would like to note that, in both FY 2014 and FY 2015, unrestricted revenue from oil production is higher than the fall 2013 forecast and, importantly, that a slight reduction in the forecast of unrestricted revenue in FY 2015 is due to reductions in expected investment earnings.

The spring forecast for General Fund Unrestricted Revenue is \$5.3 billion for FY 2014 and \$4.5 billion for FY 2015. The actual FY 2013 GFUR totaled \$6.9 billion.

Our production forecast follows a consistent and prudent methodology, and we have incorporated some increase in production relative to the previous forecast. Please note that the spring 2014 forecast is an update of the previous fall 2013 forecast. The full forecast is done in the fall and this is where planned production information from companies is collected. This coming fall 2014 forecast will be the first forecast under the new tax system and the first budget cycle companies can evaluate projects with tax certainty. I expect to see many questions answered between now and then, hopefully resulting in high enough levels of certainty to begin incorporating new production into our revenue forecast.

In order to maintain stable or increasing unrestricted state revenue in the future, we will need to see higher oil prices and/or stable or increased production. I remain firm in my belief that with the More Alaska Production Act, we have a tax regime that can address the one factor we can influence – increased production.

I hope you find the information provided in the spring 2014 forecast to be interesting and useful. We look forward to providing you with a new forecast in the fall of 2014.

Sincerely,

A handwritten signature in cursive script that reads "Angela M. Rodell".

Angela Rodell,
Commissioner

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Executive Summary

General Discussion

The spring forecast is an annual update of the fall forecast of state revenues for the Governor, the Alaska Legislature, and the Alaska public. This update is a collaborative effort among the Department of Revenue, the Alaska Permanent Fund Corporation, and the Office of Management and Budget.

State revenue comes from four major sources:

- oil revenue;
- income from sources other than oil, such as taxes, charges for services, licenses, permits, fines and forfeitures;
- federal revenue; and
- investment revenue, primarily from the Alaska Permanent Fund and the Constitutional Budget Reserve Fund.

General Fund Unrestricted Revenue is now forecast to be \$5.3 billion in fiscal year⁽¹⁾ (FY) 2014 and \$4.5 billion in FY 2015. This forecast represents an increase in expected General Fund Unrestricted Revenue for FY 2014 of \$374 million (+7.6%) compared to the projection in the fall 2013 forecast. FY 2015 is almost unchanged from the previous forecast and the remainder of the

ten-year forecast shows a modest increase in revenue.

The spring forecast for North Slope crude oil production revises expected production in FY 2014 from 508.2 thousand barrels per day to 521.8 thousand barrels per day; an increase of 13,600 barrels per day from the Fall 2013 forecast. This change reflects actual daily production levels that have consistently outperformed what was forecast in the fall of 2013.

The revenue forecast is based on a revised oil price forecast of \$106.61 per barrel versus \$105.68 for FY 2014, based on actual prices realized over the past several months and an overall better market outlook for oil prices. The forecast prices for the remaining years (FY 2015 – FY 2023) are unchanged, because there have been no structural changes or significant change in oil price triggers since the fall forecast. Forecast oil prices remain above \$105 per barrel throughout our forecast period to 2022.

A significant point of interest is that in the forecast period of FY 2014 through FY 2023, oil revenue is expected to contribute less than 90% of all unrestricted revenue, although revenues from oil production will continue to dominate as a major

contributor, forecast to be 82% to 89% of General Fund Unrestricted Revenue. State revenues will continue to be sensitive to oil price and oil production, as well as the cost of production. The state requires high oil prices (-\$100 per barrel) and/or stable or increasing production, in order to maintain stable or increasing state revenue.

In FY 2013, total state revenue from all sources amounted to \$15.8 billion. Prior to FY 2013, only FY 2011 total state revenue exceeded last year's revenue with a record \$19.5 billion, attributable to high oil prices and strong investment performance. Total state revenue for FY 2014 is also expected to be almost \$15 billion.

The totals of some tables in this publication may not equal the sum of components due to rounding.

⁽¹⁾ Alaska's fiscal year runs from July 1 through June 30.

Table 2-1: Total State Revenue, by restriction and type

	(\$ millions)		
	History FY 2013	Forecast FY 2014 FY 2015	
Unrestricted Revenue Sources			
Unrestricted General Fund Revenue			
Petroleum Revenue	6,352.0	4,697.9	3,945.9
Non-petroleum Revenue	551.6	485.0	511.5
Investment Revenue	28.1	121.1	65.5
Federal Revenue	0.0	0.0	0.0
Unrestricted General Fund Revenue	6,931.7	5,304.0	4,522.9
Restricted Revenue Sources			
Designated General Fund Revenue			
Non-petroleum Revenue	298.3	337.2	318.0
Investment Revenue	40.5	57.6	31.3
Subtotal Designated General Fund Revenue	338.8	394.8	349.3
Other Restricted Revenue			
Petroleum Revenue	1,032.5	761.7	726.6
Non-petroleum Revenue	185.2	214.0	213.6
Investment Revenue	4,937.3	5,288.4	3,638.7
Subtotal Other Restricted Revenue	6,155.0	6,264.1	4,578.9
Federal Revenue			
Petroleum Revenue ⁽¹⁾	3.6	4.0	3.5
Federal Receipts	2,383.2	2,964.5	3,112.9
Subtotal Federal Revenue	2,386.8	2,968.5	3,116.4
Total Restricted Revenue	8,880.6	9,627.4	8,044.6
Total State Revenue	15,812.3	14,931.4	12,567.5

⁽¹⁾ Oil revenue shown in the Federal category includes the State share of rents, royalties, and bonuses received from the National Petroleum Reserve - Alaska, as provided by federal law.

Table 2-2: Unrestricted General Fund Revenue, by type and detail

	(\$ millions)		
	History	Forecast	
	FY 2013	FY 2014	FY 2015
Unrestricted Petroleum Revenue			
Petroleum Taxes			
Petroleum Property Tax	99.3	99.6	97.4
Petroleum Corporate Income Tax	434.6	463.8	463.7
Oil & Gas Production Tax	4,050.3	2,417.1	1,754.4
Subtotal Petroleum Taxes	4,584.2	2,980.5	2,315.5
Royalties (including Bonuses, Rents, & Interest)			
Mineral Bonuses & Rents	19.0	20.1	13.0
Oil & Gas Royalties	1,748.4	1,696.3	1,616.4
Interest	0.4	1.0	1.0
Subtotal Royalties	1,767.8	1,717.4	1,630.4
Unrestricted Petroleum Revenue	6,352.0	4,697.9	3,945.9
Unrestricted Non-petroleum Revenue			
Non-petroleum Taxes			
Excise Tax			
Alcoholic Beverage	19.8	20.0	20.3
Tobacco Product – Cigarette	32.2	30.4	28.9
Tobacco Product – Other	12.6	13.7	14.1
Insurance Premium	52.4	54.4	56.4
Electric and Telephone Cooperative	0.2	0.2	0.2
Motor Fuel	41.9	41.3	40.7
Vehicle Rental	8.4	8.3	8.4
Tire Fee	1.4	1.4	1.4
Subtotal Excise Tax	168.9	169.7	170.4
Corporate Income Tax	112.5	87.9	127.1
Fisheries Tax			
Fisheries Business	19.2	22.1	21.2
Fishery Resource Landing	5.5	5.3	4.8
Subtotal Fisheries Tax	24.7	27.4	26.0
Other Tax			
Charitable Gaming	2.5	2.4	2.4
Estate	0.0	0.0	0.0
Large Passenger Vessel Gambling	6.0	6.0	6.0
Mining	46.7	44.8	41.9
Subtotal Other Tax	55.2	53.2	50.3
Subtotal Non-petroleum Taxes	361.3	338.2	373.8

Table 2-2: Unrestricted General Fund, by type and detail (continued from previous page)

	(\$ millions)		
	History	Forecast	
	FY 2013	FY 2014	FY 2015
Charges for Services			
General Government	13.2	14.6	14.6
Natural Resources	5.6	7.6	7.6
Other	9.6	7.6	7.6
Subtotal Charges for Services	28.4	29.8	29.8
Fines & Forfeitures	15.8	10.4	10.4
Licenses & Permits			
Alcoholic Beverage Licenses	0.9	0.9	0.9
Motor Vehicle	38.2	40.2	40.2
Other	2.8	2.6	2.6
Subtotal Licenses & Permits	41.9	43.7	43.7
Rents & Royalties			
Mining Rents & Royalties	14.1	13.3	13.4
Other Non-petroleum Rents & Royalties	10.6	8.8	8.8
Subtotal Rents & Royalties	24.7	22.1	22.2
Miscellaneous Revenues and Transfers			
Miscellaneous	63.6	15.2	15.2
Alaska Housing Finance Corporation	9.5	0.0	0.3
Alaska Industrial Development & Export Authority	0.0	20.7	10.7
Alaska Municipal Bond Bank Authority	0.0	0.9	0.9
Alaska Student Loan Corporation	1.2	0.0	0.0
Alaska Energy Authority	0.1	0.0	0.0
Alaska Natural Gas Development Authority	0.1	0.0	0.0
Mental Health Trust	0.0	0.0	0.0
Unclaimed Property	5.0	4.0	4.5
Subtotal Transfers	79.5	40.8	31.6
Unrestricted Non-petroleum Revenue, except federal and investment	551.6	485.0	511.5
Investment Revenue			
Investments	26.7	119.6	64.0
Interest Paid by Others	1.4	1.5	1.5
Unrestricted Investment Revenue	28.1	121.1	65.5
Total Unrestricted Revenue	6,931.7	5,304.0	4,522.9

Table 2-3: Restricted Revenue, by type and category

	(\$ millions)		
	History	Forecast	
	FY 2013	FY 2014	FY 2015
Designated General Fund Revenue			
Non-petroleum Revenue			
Taxes	52.3	47.9	47.1
Charges for Services	202.9	247.1	234.1
Fines and Forfeitures	17.6	14.5	9.1
Licenses and Permits	0.2	0.2	0.2
Rents and Royalties	3.7	4.6	4.6
Other	21.6	22.9	22.9
Subtotal	298.3	337.2	318.0
Investment Revenue			
Investments - Designated GF	2.6	3.4	2.5
Other Treasury Managed Funds	37.9	54.2	28.8
Subtotal	40.5	57.6	31.3
<hr/>			
Restricted Designated General Fund Revenue	338.8	394.8	349.3
<hr/>			
Other Restricted Revenue			
Oil Revenue			
Royalties to Alaska Permanent Fund & School Fund (includes Bonuses & Rents)	855.9	741.7	706.6
Tax and Royalty Settlements to CBRF	176.6	20.0	20.0
Subtotal	1,032.5	761.7	726.6
Non-petroleum Revenue			
Taxes	76.5	74.7	74.4
Charges for Services	40.8	70.9	70.9
Fines and Forfeitures	24.5	24.3	24.1
Licenses and Permits	29.2	29.8	29.8
Rents and Royalties	8.0	7.5	7.6
Other	6.2	6.8	6.8
Subtotal	185.2	214.0	213.6
Investment Revenue			
Investments - Other Restricted	5.2	6.9	5.1
Constitutional Budget Reserve Fund	618.2	888.1	471.9
Alaska Permanent Fund (GASB) ⁽¹⁾	4,313.9	4,393.4	3,161.7
Subtotal	4,937.3	5,288.4	3,638.7
<hr/>			
Other Restricted Revenue	6,155.0	6,264.1	4,578.9
<hr/>			

⁽¹⁾ Both realized and unrealized gains and losses are included per GASB 34 as interpreted by the Finance Division of the Department of Administration in its *Comprehensive Annual Financial Report*.

Table 2-3: Restricted Revenue, by type and category (continued from previous page)

	(\$ millions)		
	History	Forecast	
	FY 2013	FY 2014	FY 2015
Federal Revenue			
Federal Receipts	2,383.2	2,964.5	3,112.9
Oil Revenue			
NPR-A Royalties, Rents and Bonuses	3.6	4.0	3.5
Restricted Federal Revenue	2,386.8	2,968.5	3,116.4
Total Restricted Revenue	8,880.6	9,627.4	8,044.6

Table 4-4: ANS Oil & Gas Production Tax Data Summary

	History	Forecast	
	FY 2013	FY 2014	FY 2015
North Slope Price and Production			
Price of ANS WC (in \$/barrel)	107.57	106.61	105.06
Transit Costs & Other (in \$/barrel)	9.76	9.90	9.82
ANS Wellhead (in \$/barrel)	97.81	96.71	95.24
North Slope Production			
Total ANS Production (in mbbbls/day)	531.6	521.5	495.9
Royalty and federal (in mbbbls/day) ⁽¹⁾	82.7	67.6	63.5
Taxable Barrels (in mbbbls/day)	448.9	453.9	432.4
North Slope Lease Expenditures⁽²⁾⁽³⁾			
Total North Slope Lease Expenditures (in \$ millions)			
Operating Expenditures [OPEX]	3,109.5	3,305.8	2,901.2
Capital Expenditures [CAPEX]	2,947.6	3,657.6	4,847.2
Total North Slope Expenditures	6,057.1	6,963.4	7,748.3
Deductible North Slope Lease Expenditures (in \$ millions)			
Operating Expenditures [OPEX]	2,849.4	3,254.6	2,849.4
Capital Expenditures [CAPEX]	2,074.7	3,368.9	4,416.8
Deductible North Slope Expenditures	4,924.1	6,623.5	7,266.2
State Production Tax Revenue⁽⁴⁾			
Tax Revenue (in \$ millions)	4,050.3	2,417.1	1,754.4
Production Tax Collected per Taxable Barrel	24.7	14.6	11.1
Statewide Production Tax Credits⁽²⁾⁽⁵⁾			
Credits Used against Tax Liability (in \$ millions)	469.0	970.0	940.0
Credits for Potential Purchase (in \$ millions)	359.0	650.0	600.0

⁽¹⁾ Royalty and Federal barrels represent our best estimate of barrels that are not taxed. This estimate includes both state and federal royalty barrels, and barrels produced from federal offshore property.

⁽²⁾ Lease expenditures and credits used against tax liability for FY 2013 were prepared using unaudited company-reported estimates.

⁽³⁾ Expenditure data for FY 2014 and FY 2015 are compiled from company submitted expenditure forecast estimates and other documentation as provided to the the department. Expenditures shown here are shown in two ways: (1) total estimated expenditures including for those companies with no tax liability; and (2) estimated deductible expenditures for only those companies with a tax liability.

⁽⁴⁾ Production tax is calculated on a company specific basis, therefore the aggregated data reported here will not generate the total tax revenue shown. For an illustration of the tax calculation, see Appendix D in the 2013 Fall Revenue Sources Book.

⁽⁵⁾ Production tax credits shown include all production tax credits and all areas of the State. North Slope CAPEX credits are spread out over two years as specified in the ACES production tax. Assumptions for the \$12 million credits for small Alaska producers are included in the table.

Table A-3b: Petroleum Revenue Forecast

	(\$ millions)									
FY	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Unrestricted Petroleum Revenue										
Petroleum Property Tax	99.6	97.4	99.2	101.1	102.5	103.4	103.9	103.9	103.6	103.1
Petroleum Corporate Income Tax	463.8	463.7	460.8	465.4	456.1	441.9	424.2	400.0	382.1	361.0
Oil and Gas Production Tax	2,408.5	1,746.3	1,914.9	2,245.9	2,413.6	2,421.0	2,212.1	1,971.9	2,111.4	1,743.2
Oil and Gas Hazardous Release	8.6	8.1	8.1	8.0	7.6	7.1	6.6	6.1	5.6	5.1
Oil and Gas Conservation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oil and Gas Royalties-Net ⁽¹⁾	1,696.3	1,616.4	1,647.2	1,649.5	1,635.2	1,604.0	1,488.3	1,386.9	1,373.4	1,250.1
Bonuses, Rents & Interest-Net ⁽¹⁾⁽²⁾	21.1	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Petroleum Special Settlements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unrestricted Petroleum Revenue	4,697.9	3,945.9	4,144.3	4,483.9	4,629.0	4,591.4	4,249.1	3,882.8	3,990.1	3,476.5
Cumulative Unrestricted Petroleum Revenue⁽³⁾	113,297	117,243	121,387	125,871	130,500	135,092	139,341	143,223	147,213	150,690
Restricted Petroleum Revenue										
NPR-A Rents, Royalties, Bonuses	4.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Royalties to AK Permanent Fund	729.5	694.9	703.5	704.7	703.2	689.2	633.8	582.9	583.5	530.4
Royalties to Public School Fund	12.2	11.7	11.9	11.9	11.8	11.6	10.7	9.9	9.9	9.0
CBRF Deposits	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Restricted Petroleum Revenue	765.7	730.1	738.8	740.1	738.5	724.3	668.0	616.4	616.9	562.9
Total Petroleum Revenue	5,463.6	4,676.0	4,883.1	5,224.0	5,367.5	5,315.6	4,917.1	4,499.1	4,607.0	4,039.4

⁽¹⁾ Royalties, bonuses, rents and interest rate are net of Permanent Fund Contribution and (CBRF) deposits.

⁽²⁾ This category is primarily composed of petroleum revenue.

⁽³⁾ The cumulative Unrestricted General Fund petroleum revenue is based on revenue beginning in FY 1959.

Table A-4b: Unrestricted General Revenue Forecast


FY	(\$ millions)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Unrestricted Petroleum Revenue	4697.9	3945.9	4144.3	4483.9	4629.0	4591.4	4249.1	3882.8	3990.1	3476.5
General Fund Unrestricted Non-petroleum Revenue	606.1	577.0	599.9	613.9	629.1	651.0	676.6	703.3	725.2	754.0
Total Unrestricted General Fund Revenue	5304.0	4522.9	4744.2	5097.8	5258.1	5242.4	4925.7	4586.1	4715.3	4230.5
Total Unrestricted General Fund Revenue from Petroleum	89%	87%	87%	88%	88%	88%	86%	85%	85%	82%

Table B-2: Price Difference from Spring 2013 Forecast

FY	(\$/bbl)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Spring 2014 Forecast										
ANS West Coast	106.61	105.06	107.69	110.38	115.40	121.19	122.43	123.67	133.00	131.85
Sum of Netback Costs	9.91	9.82	9.62	9.85	10.11	10.54	11.16	11.86	12.62	13.40
ANS Wellhead Wtd Average All Destinations	96.71	95.24	98.07	100.53	105.29	110.65	111.27	111.81	120.38	118.45
Fall 2013 Forecast										
ANS West Coast	105.68	105.06	107.69	110.38	115.40	121.19	122.43	123.67	133.00	131.85
Sum of Netback Costs	10.11	10.03	9.82	10.06	10.34	10.78	11.41	12.11	12.87	13.66
ANS Wellhead Wtd Average All Destinations	95.57	95.03	97.87	100.32	105.06	110.41	111.02	111.56	120.13	118.19
Price change from prior forecast										
ANS West Coast	0.93	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sum of Netback Costs	-0.21	-0.22	-0.20	-0.21	-0.23	-0.24	-0.25	-0.25	-0.25	-0.26
ANS Wellhead Wtd Average All Destinations	1.14	0.22	0.20	0.21	0.23	0.24	0.25	0.25	0.25	0.26
Percent change from prior forecast										
ANS West Coast	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sum of Netback Costs	-2.0%	-2.1%	-2.0%	-2.1%	-2.3%	-2.2%	-2.2%	-2.1%	-2.0%	-1.9%
ANS Wellhead Wtd Average All Destinations	1.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%

Table C-1: Production Differences from Fall 2013 Forecast

FY	(mbbls/day)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Spring 2014 Forecast										
Alaska North Slope	521.8	495.9	493.5	488.4	464.6	433.3	403.1	371.9	342.8	315.2
Non-North Slope	14.5	11.6	10.4	9.5	8.8	8.1	7.6	7.1	6.6	6.2
Total	536.3	507.5	503.9	497.9	473.4	441.4	410.7	378.9	349.4	321.4
Fall 2013 Forecast										
Alaska North Slope	508.2	498.4	487.6	482.7	459.5	429.1	399.6	368.8	340.1	312.9
Non-North Slope	13.5	11.6	10.4	9.5	8.8	8.1	7.6	7.1	6.6	6.2
Total	521.7	510.0	498.1	492.2	468.3	437.2	407.2	375.9	346.8	319.1
Volume change from prior forecast										
Alaska North Slope	13.6	-2.5	5.8	5.7	5.1	4.2	3.5	3.1	2.7	2.3
Non-North Slope	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	14.6	-2.5	5.8	5.7	5.1	4.2	3.5	3.1	2.7	2.3
Percent change from prior forecast										
Alaska North Slope	2.7%	-0.5%	1.2%	1.2%	1.1%	1.0%	0.9%	0.8%	0.8%	0.7%
Non-North Slope	7.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	2.8%	-0.5%	1.2%	1.2%	1.1%	1.0%	0.9%	0.8%	0.8%	0.7%



ConocoPhillips Alaska Announces New Projects

Since oil tax reform was passed in April 2013, ConocoPhillips Alaska (COPA) has announced plans to increase its investments on Alaska's North Slope. The new plans consist of:

- bringing two additional drilling rigs to the Kuparuk field;
- constructing a new drill site in the Kuparuk River Field (Drill Site 2S);
- Planning the Greater Mooses Tooth #1 development in the National Petroleum Reserve-Alaska (NPR-A); and
- increased investment in viscous oil development at DS 1H.

Drill Site 2S, GMT1 and 1H NEWS represent a potential capital investment of about \$2 billion, significant new production, and jobs for hundreds of workers during construction.

Project Descriptions

Nabors 7ES & 9 ES rigs:

7ES began operating in the Kuparuk Field in late May, 2013; 9ES began drilling in January, 2014:

- **Combined Jobs created:** ~200 direct and hundreds of indirect jobs*
- **Oil production benefit to date:** 2,600 BOPD (gross) for 7ES; 9ES results to come.

Drill Site 2S:

New Kuparuk Drill Site 2S (DS 2S) will be located on the southwest flank of the Kuparuk River Field. Production from DS 2S will be processed through the Kuparuk River Unit facilities. COPA will lay gravel for Drill Site 2S during March/April 2014 to be ready for facility construction in late 2014 followed by drilling in mid-2015. The company plans to seek internal and co-owner approval for wells and facilities in the 4th quarter of 2014.

- **Peak workforce during construction:** ~230
- **Approximate cost to develop:** \$600 million (gross)
- **Estimated peak production:** 8,000 BOPD (gross)
- **Project approval target:** late 2014
- **First oil:** late 2015



"The likelihood of these projects moving ahead is greatly improved by the passage of SB21. New projects like these will create jobs for Alaskans and Alaska businesses, add new revenue for the state and put more oil down TAPS. I expect that we will have more new production investments to announce in the future."

*--Trond-Erik Johansen, president of
ConocoPhillips Alaska*

*ISER: Petroleum Jobs & Revenue, Feb. 25, 2013

ConocoPhillips Alaska New Projects (cont'd)



Greater Mooses Tooth #1 (GMT1):

GMT1, in the Greater Mooses Tooth Unit in the National Petroleum Reserve-Alaska, will be an Alpine satellite field. The development will include a new gravel pad, a 7.8-mile road and pipelines connecting it to CD5. Oil will be processed through the existing Alpine facilities.

- **Peak workforce during construction:** ~400 plus hundreds more in support positions
- **Approximate cost to develop:** \$900 million (gross)
- **Estimated peak production:** 30,000 BOPD (gross)
- **Development permits submitted:** July 2013
- **Project approval target:** late 2014
- **First oil:** late 2017



1H Northeast West Sak (NEWS):

1H NEWS is a West Sak field viscous oil development located in the Kuparuk River Unit. If approved, it will require a nine-acre extension to the existing Drill Site 1H, and installation of surface facilities to support five new production and 13 injection wells. Surface facilities include a new pipe header, wellhead infrastructure, modules, tanks and tie-ins to existing pipeline infrastructure.

- **Peak workforce during construction:** 150
- **Approximate cost to develop:** \$450 million (gross)
- **Estimated peak production:** 9,000 BOPD (gross)
- **Development permits submitted:** February 2014
- **Project approval target:** Late 2014
- **First oil:** 2017



Repsol Update to the Senate Resources Committee

April 9, 2014

We welcome the opportunity to present to the Senate Resources Committee. Thank you, Senator Giessel, for inviting us.

Our views are based on our perspective as a relatively new player on the North Slope, currently engaged in the exploration and appraisal phase.

We have a brief update, but first, a little history about Repsol and our arrival in Alaska.

- [Slide: Global Map] Repsol E&P USA is the US upstream operating subsidiary of Repsol S. A., an integrated international oil and gas company headquartered in Madrid Spain, with 25,000 employees worldwide and exploration and production activities in 31 countries. Repsol is ranked 112th on the 2013 Fortune 500 list.
- Repsol has a history with high political risk countries. We have suffered several examples of contracts being changed, expropriation of assets, and civil unrest leading to lost business opportunities and erosion of value.
- As a result, several years ago, Repsol made a strategic decision to re-balance its portfolio in favor of lower risk opportunities such as found in OECD type of countries.
- Repsol was looking at the Alaska NS for some time (we even took leases in the Federal waters of the Beaufort and Chukchi Seas), but due to the uncompetitive fiscal terms for the Alaska NS, the economics were not attractive and Repsol did not enter.
- It wasn't until 2011, when oil tax reform was introduced and it was apparent that Alaska was serious about making the NS more competitive that Repsol entered. At that time, Armstrong Oil & Gas presented an opportunity for establishing a material NS position.
- There were risks associated with coming in at this time, before the certainty of oil tax reform, but it was a good opportunity that was a good fit for Repsol's strategy. Additionally, if Repsol would have waited for more certainty in regards to oil taxes, the opportunity would likely have been lost, or the price of entrance would have gone up.
- So, Repsol took a bit of a calculated risk and came to Alaska in March 2011, acquiring a 70% interest in approx. 500,000 acres on the North Slope and counting on oil tax reform.

Activity to Date

- [Slide: Repsol NS acreage] Repsol immediately set out to aggressively explore and appraise the acreage, all the while keeping an eye on tax reform.
- We are now completing our 3rd winter season of activity. We have drilled 9 wells to date, acquired a significant amount of 3D seismic data, and have increased our acreage position to approx. 750,000 gross acres. We have invested more than \$500M in our Alaska project to date, and we announced 3 discoveries from our campaign last year.
- At this point, I will highlight a few aspects of the map such as where our acreage is, the location of the wells we've drilled and the seismic projects. I will point out where the discoveries were last year.

- [Slide: Map of 2014 activity] The passage of the new tax law last year, gave Repsol the confidence to move ahead with an aggressive campaign this winter including 3 wells drilled with 3 drilling rigs, and two large 3D seismic acquisition projects.
- We have put a significant number of people to work. We have more than 600 positions on the North Slope associated with this program.
- At this point, I will highlight several aspects of the map such as the ice roads, airstrip, well locations, a few details on the wells (coring, well testing) seismic project locations, and total investment this winter.

Looking Forward

- It's important to note that the Department of Revenue's forecast does not include a production forecast from Repsol.
- This is because Repsol needs to complete the appraisal of last year's discoveries before making a development decision. If our discoveries appraise well, and if the tax law stands, I am optimistic I can get a project approved internally.
- Hopefully, this will be the first of several NS development projects for Repsol.

Importance of Oil Taxes

- The State Oil tax structure is fundamental and vitally important to all of this activity that we have been undertaking on the North Slope.
- When we came here, it was under the assumption that oil taxes were going to be made more competitive.
- So, when SB21 passed, we were pleased that the State put in place a more competitive tax environment and we aggressively pursued our exploration program.
- We support the current law. It gives us the opportunity to invest in Alaska, expand our exploration program, and possibly carry out a development which would add production to the pipeline.
- Under SB21, the current tax structure is competitive. A competitive tax structure increases the chances that moderately sized opportunities get developed.
- One of the most important points is that if we have a marginal field - one that would not have been commercial under ACES, it has a much better chance of being developed under the new law.
- Repsol came to Alaska to invest in a more stable environment. To invest the billions of dollars to bring projects to production, a company needs reasonable assurance that the tax structure is stable.
- We appreciate the opportunity to speak today.

Thank you, I'm happy to take your questions.



Understanding the Production Forecast

An Update Based on the Spring 2014 Forecast

April 7, 2014

Department of Revenue
Michael Pawlowski & Bruce Tangeman
Deputy Commissioners
Alaska Department of Revenue

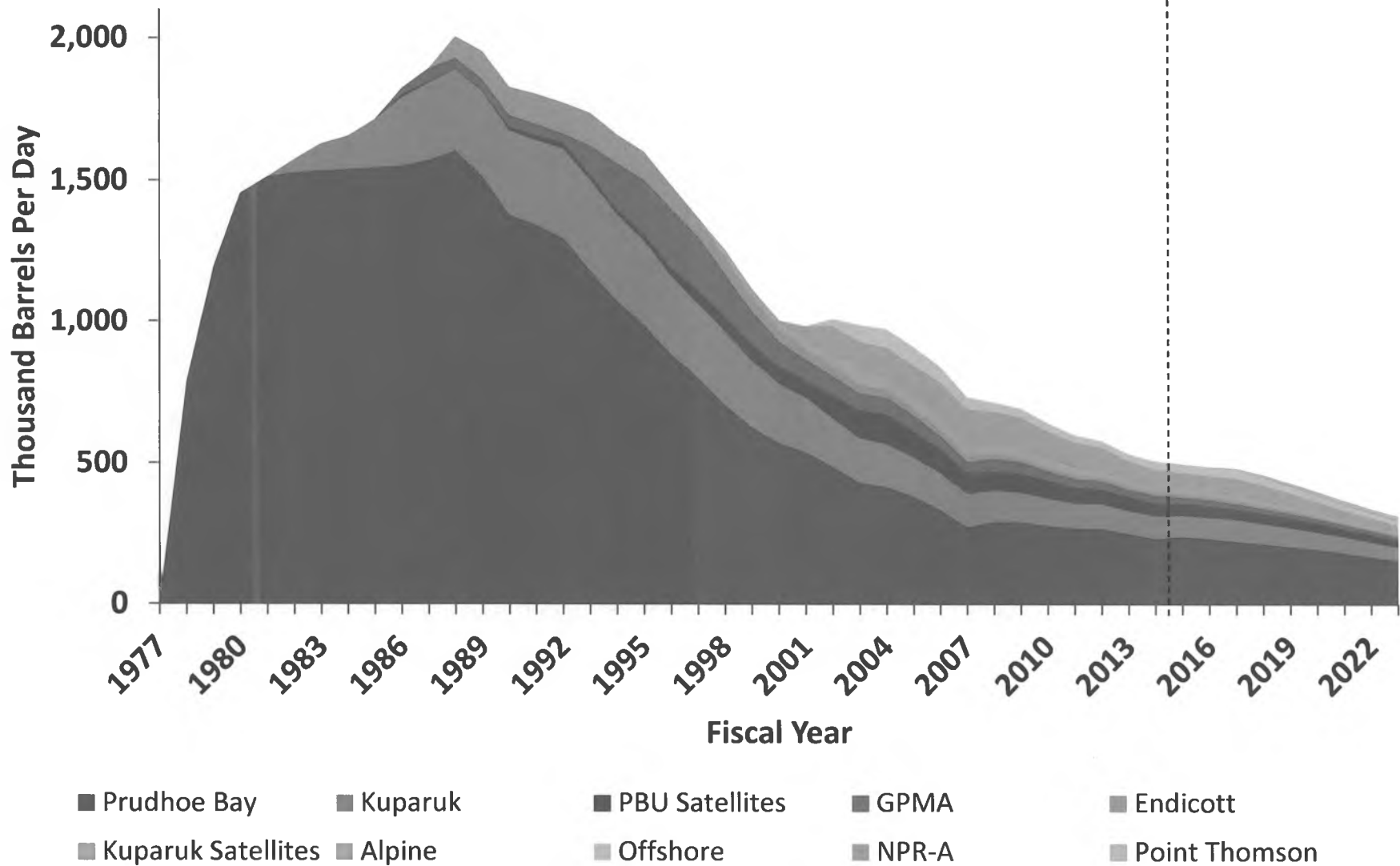
Production Forecast and Methodology

An Update Based on the Spring 2014 Forecast



Note: although the underlying data may have been updated, there has been no change to the forecast methodology adopted in the Fall 2012 Forecast.

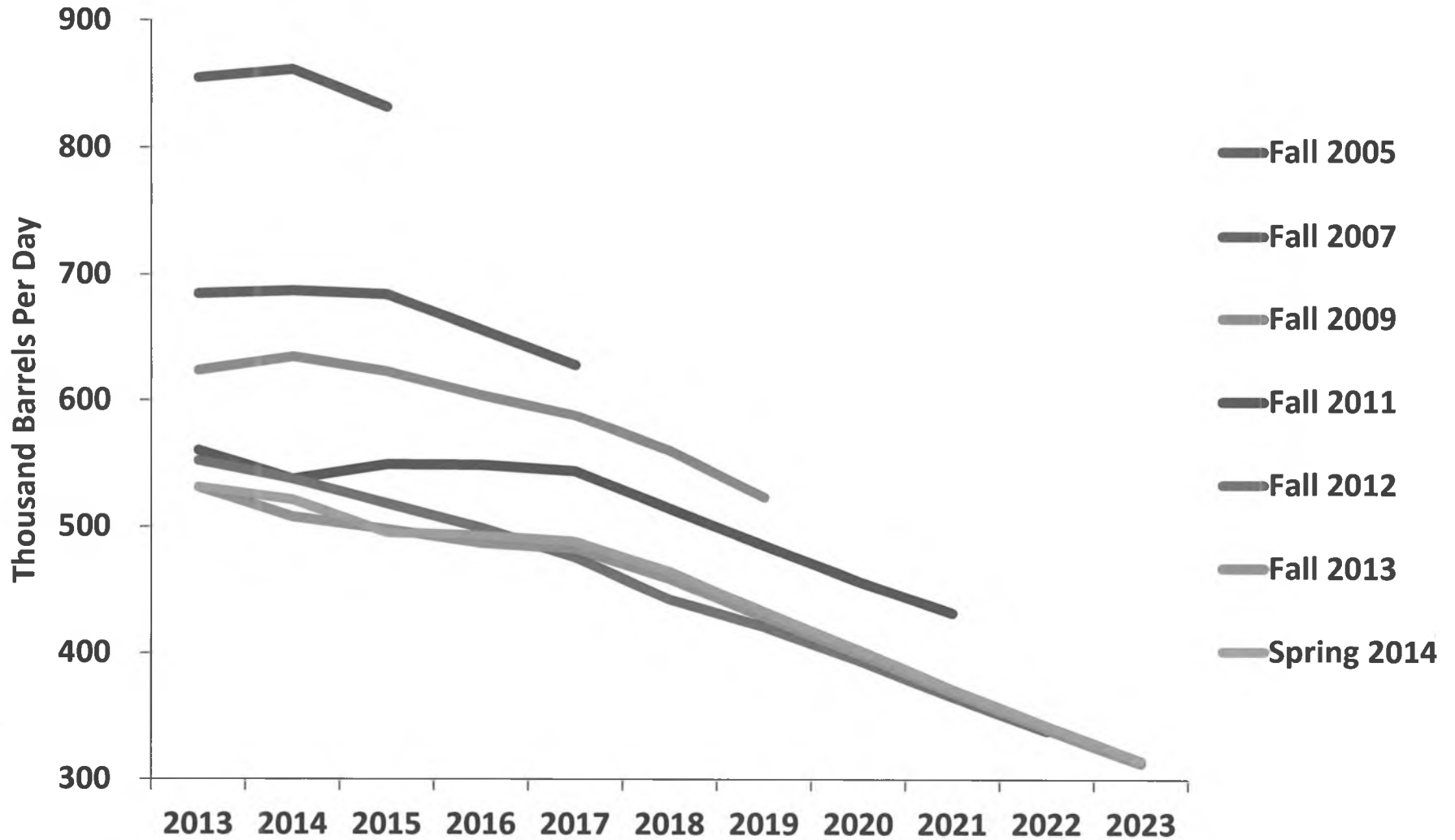
PRODUCTION HISTORY AND FORECAST



Source: Department of Revenue

ANS OIL PRODUCTION FORECASTS

WHY THE DEPARTMENT OF REVENUE REVISED THE METHODOLOGY



Source: Department of Revenue - Revenue Sources Books Fall 2005-2013, 2014 Spring Update

ANS OIL PRODUCTION FORECAST

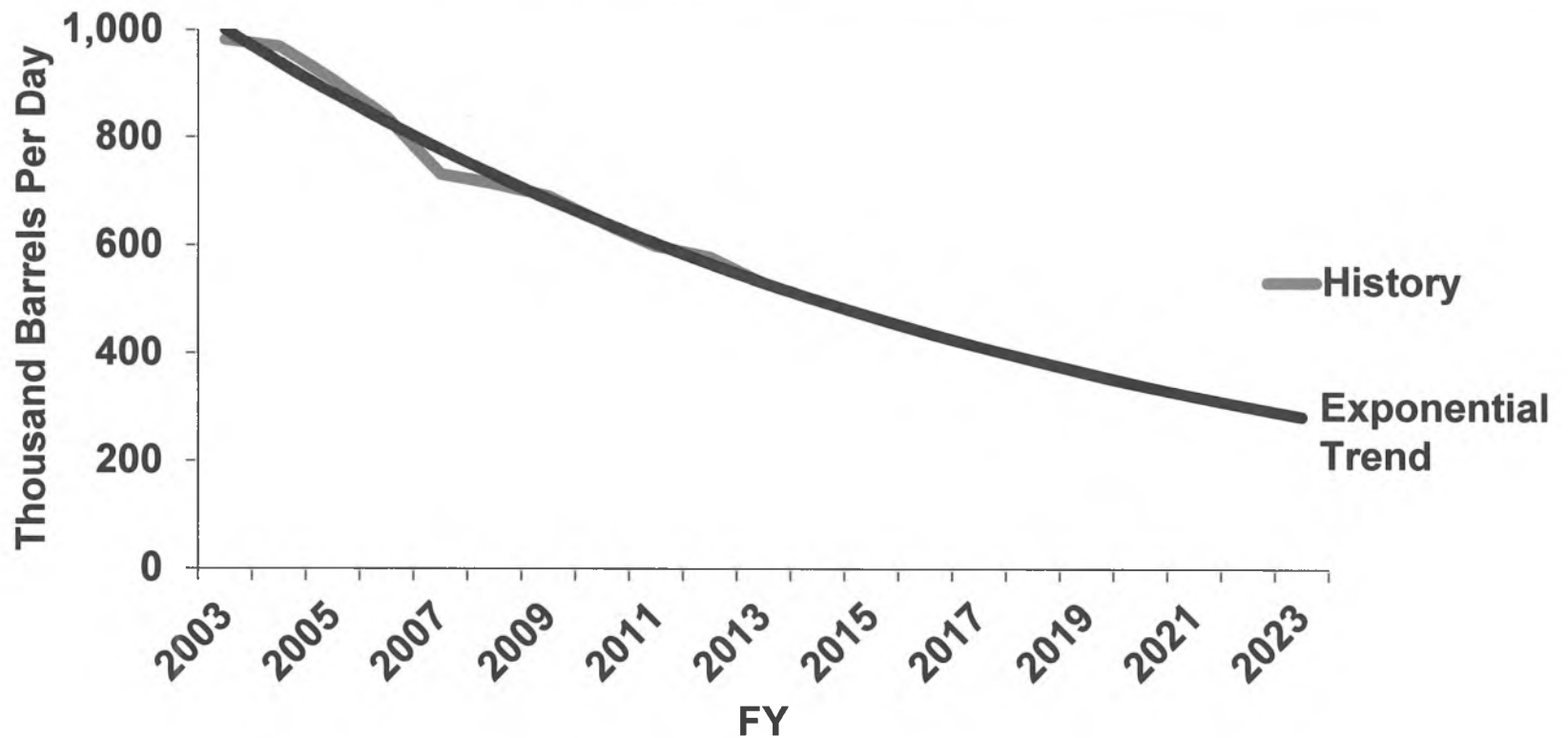
- **Currently Producing:**
 - Oil from wells that are in production and following typical reservoir engineering optimization without major investment.
- **Under Development (UD):**
 - Oil from projects that will add incremental oil to existing fields or will bring new fields into production.
 - Project must have senior management approval and be allocated funds in the company's budget.
- **Under Evaluation (UE):**
 - Oil from projects that are likely to occur in the future, but have not met the requirements of the previous category.
 - Requires that oil reserves are known and recovery is technically possible with current technology.
- *Under Development + Under Evaluation \approx "New Oil"*

REVISIONS TO THE ANS OIL PRODUCTION FORECAST ADOPTED IN THE FALL 2012 FORECAST

- “Currently Producing” oil was not risked.
 - Engineering assessment based on actual production data
- The “New Oil” portion of the Forecast was adjusted for risks.
 - Accounts for uncertainty in subsurface conditions and risk of delay
- The “Under Evaluation” portion of the Forecast was risked at a greater rate than “Under Development”.
 - Accounts for greater uncertainty in subsurface conditions and higher risk of delay

ANS OIL PRODUCTION – ACTUALS & FORECAST

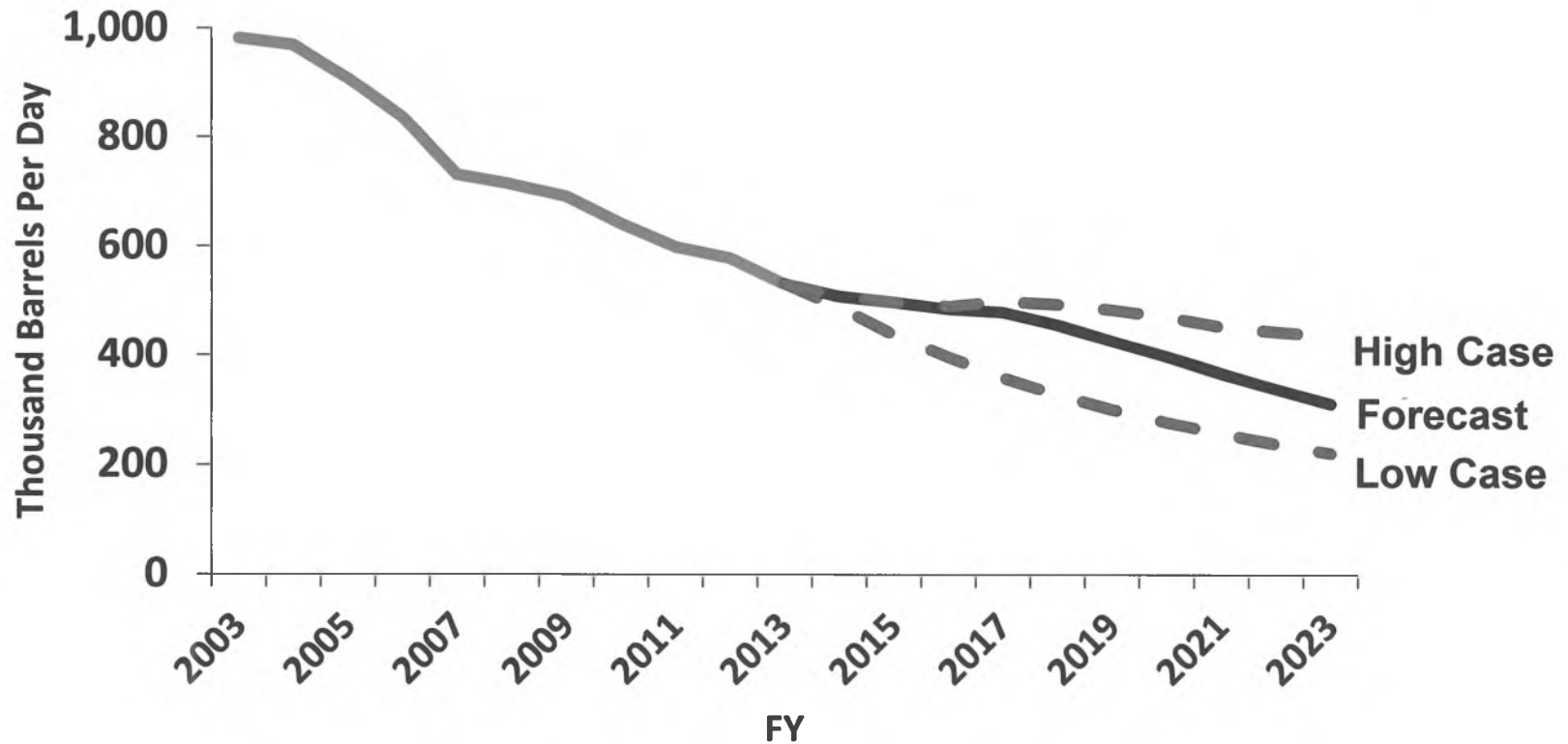
	2006	2007	2008	2009	2010	2011	2012	2013	2014 Forecast
Production	837.1	732.2	714.4	692.7	642.5	599.9	579.4	531.6	521.8
Decline Rate	-7.8%	-12.5%	-2.4%	-3.0%	-7.2%	-6.6%	-3.4%	-8.2%	-1.8%



Source: Department of Revenue - Revenue Sources Book Fall 2013 page 45

ANS OIL PRODUCTION – ACTUALS & FORECAST

	2006	2007	2008	2009	2010	2011	2012	2013	2014 Forecast
Production	837.1	732.2	714.4	692.7	642.5	599.9	579.4	531.6	521.8
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Source: Department of Revenue - Revenue Sources Book Fall 2013 page 45

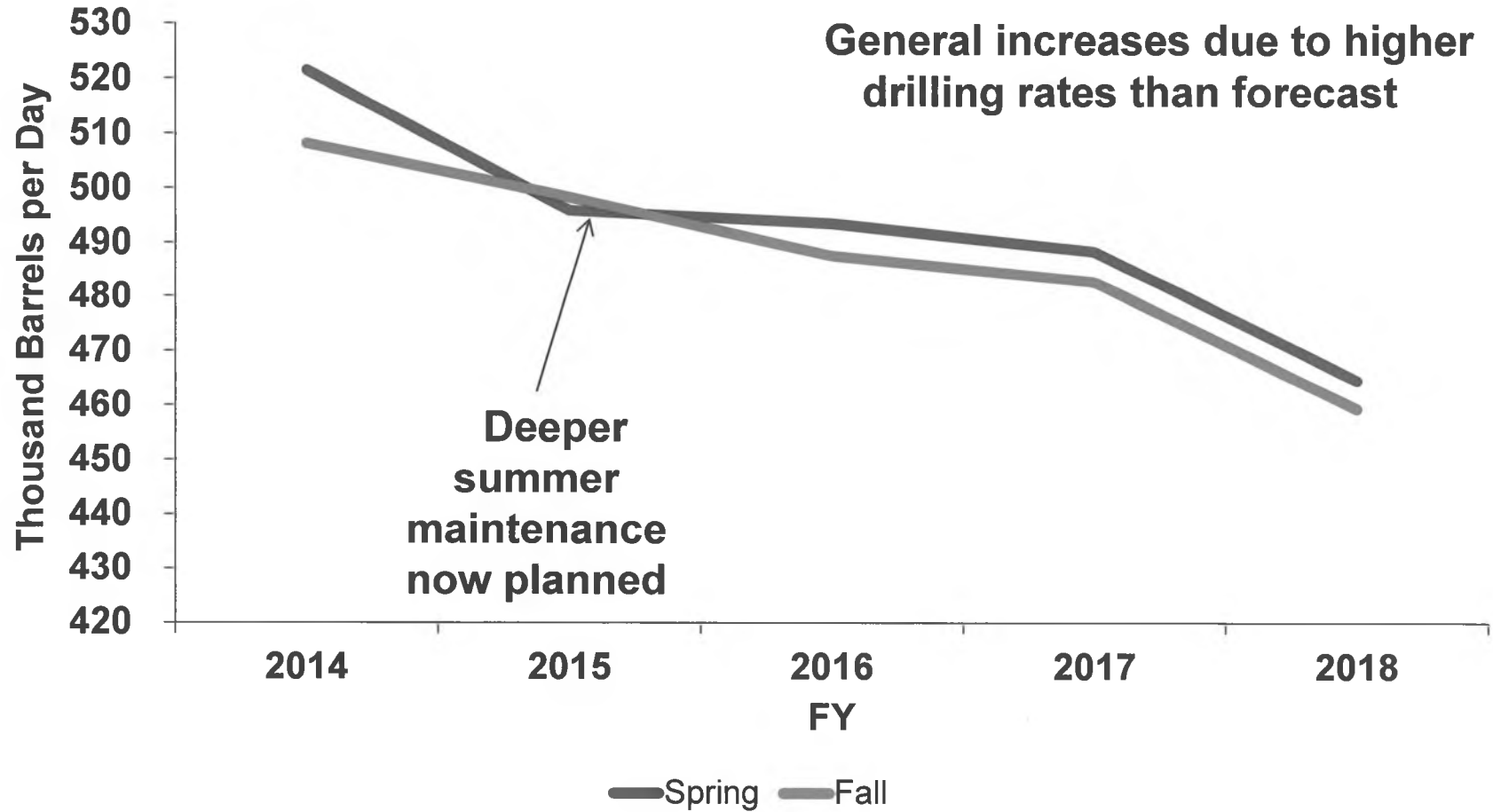
WHAT'S IN THE FORECAST?

- In order to be included, a project must:
 - Have well data confirming reservoir
 - Have a company actively pursuing development
- Projects are “under development” if:
 - A company has partner alignment and/or senior management approval
 - The project has been allocated funds in the company budget
- Projects are “under evaluation” if:
 - The resource is known and being pursued, but financial hurdles have not been met
- “Under Evaluation” projects carry additional risk of delay or abandonment
 - Therefore, receive a greater risk adjustment

WHAT'S NOT IN THE FORECAST

- Undiscovered resources
 - Up to 4 billion in Central North Slope
 - Some exploration projects remain in this category after an announced find until well data is available
- Technologically challenged oil
 - Heavy, Viscous, and Shale Oil
 - Combined estimates exceed 30 billion barrels
- Regulatory burdened or otherwise difficult
 - ANWR, OCS
 - Potentially over 30 billion barrels

SPRING ANS PRODUCTION FORECAST ADJUSTMENTS

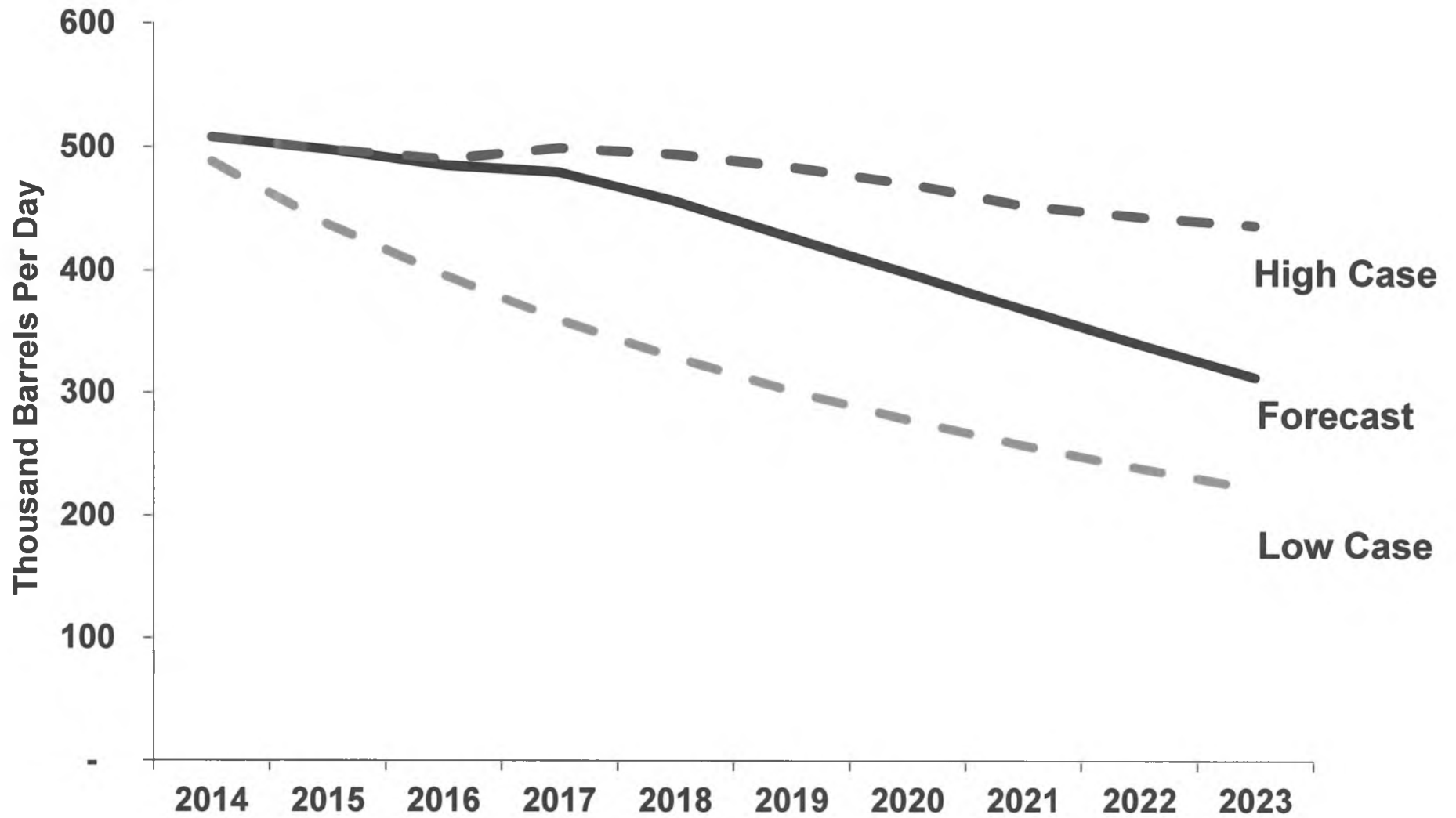


A more comprehensive review of company activity will be conducted in the Fall

WHERE'S THE PRODUCTION?

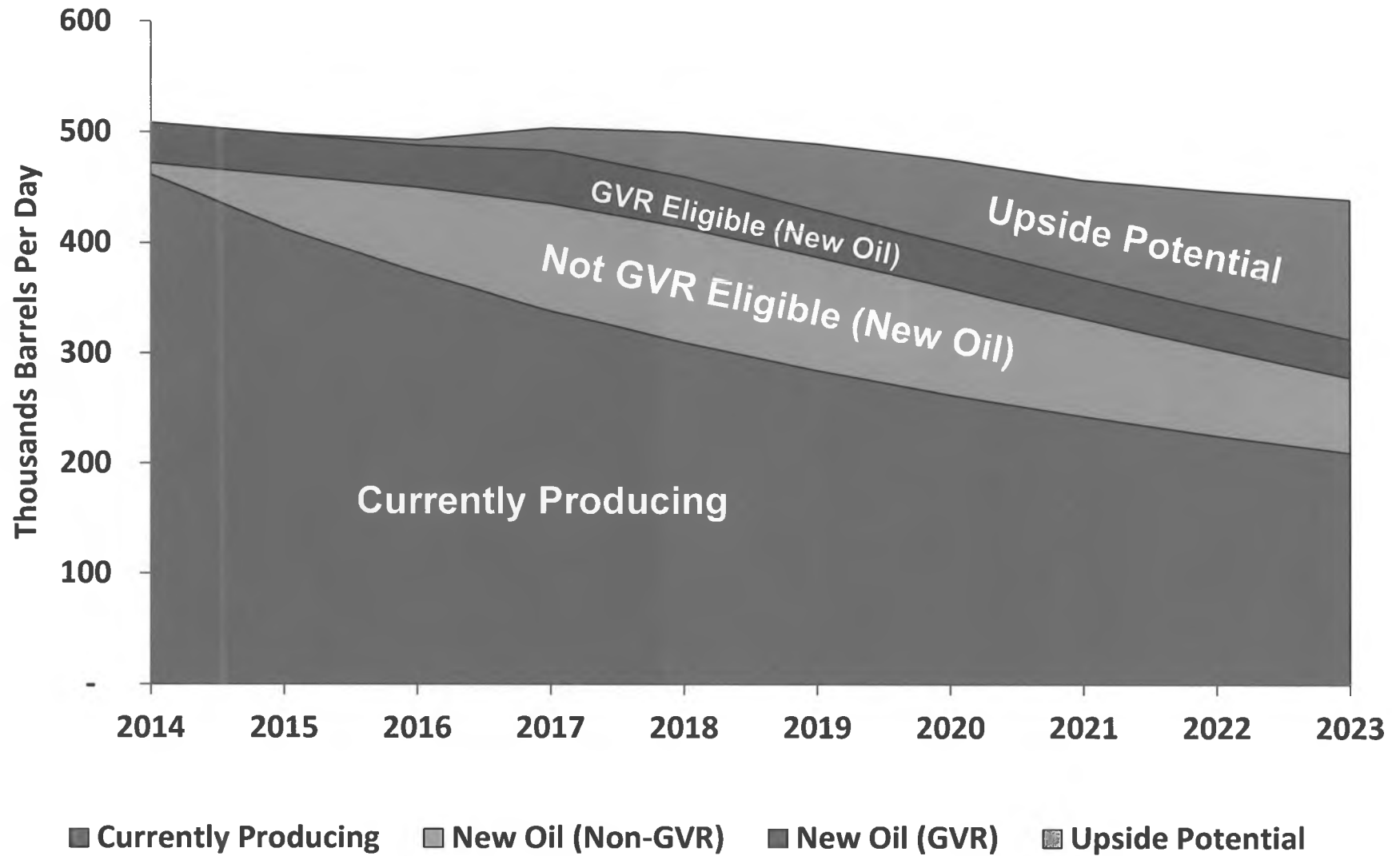
- Future production varies greatly based on projects currently under development or evaluation.
- The potential for significant production increases exist.
 - Forecasting it will occur is not prudent.
 - Revenues are projected as sufficient levels of certainty are obtained.
 - Likelihood of development increases with better economic conditions (price, cost, taxes, etc.).
- Many things can cause a project to be delayed or abandoned.

ANS PRODUCTION FORECAST



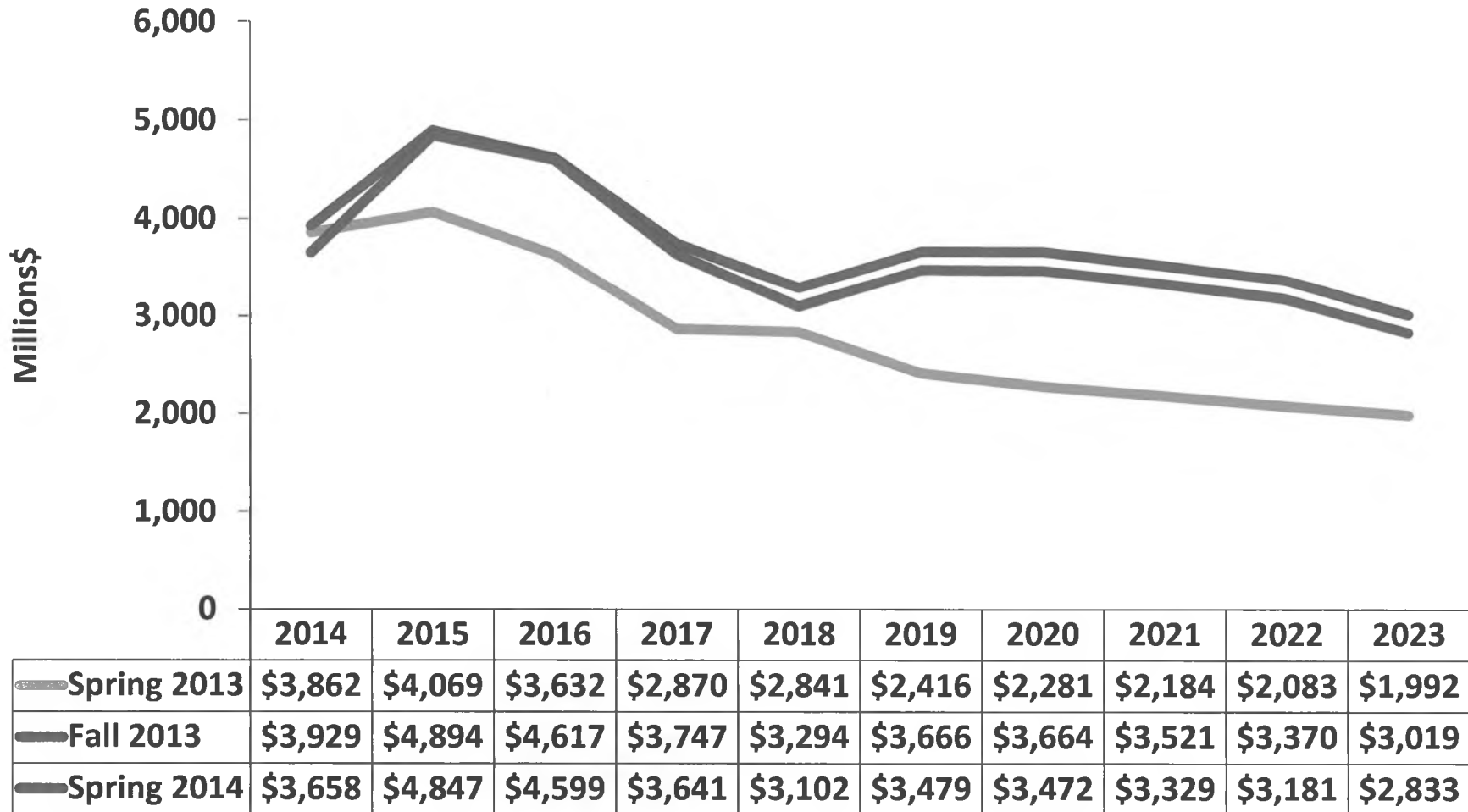
Source: Department of Revenue - Revenue Sources Book Fall 2013

ANS PRODUCTION FORECAST



Source: Department of Revenue - Revenue Sources Book Fall 2013

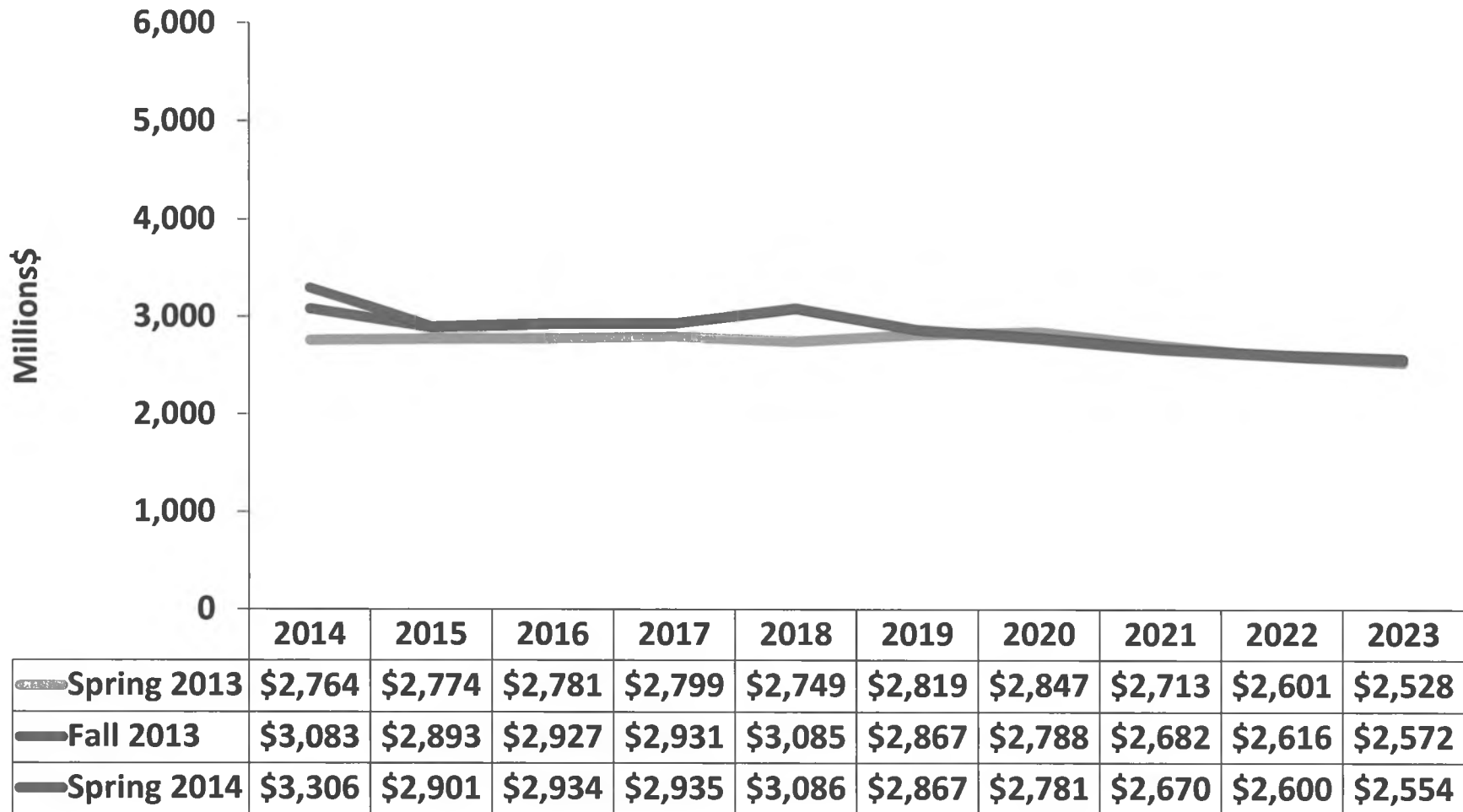
NORTH SLOPE LEASE EXPENDITURE FORECAST CHANGE TOTAL NORTH SLOPE CAPEX



Note: These estimates include lease expenditures by companies that are not expected to have a tax liability.

Source: Department of Revenue - Revenue Sources Book Fall 2013 / 2014 Spring Update

NORTH SLOPE LEASE EXPENDITURE FORECAST CHANGE TOTAL NORTH SLOPE OPEX



Note: These estimates include lease expenditures by companies that are not expected to have a tax liability.

Source: Department of Revenue - Revenue Sources Book Fall 2013 /2014 Spring Update

THANK YOU

Please find our contact information below:

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Angela M. Rodell

Commissioner

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SEAL OF THE STATE OF ALASKA
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DEPARTMENT OF REVENUE

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Press Release

COMMISSIONER'S OFFICE

FOR IMMEDIATE RELEASE

April 7, 2014

No. 14-006

Media Contact: Lacy Wilcox, Special Assistant 907.465.2301

Fiscal Year 2014 Revenue Higher Than Forecasted

Anchorage – Department of Revenue Commissioner Angela Rodell today released the spring 2014 revenue forecast update which shows a \$374 million (7.6%) increase from the previous forecast in General Fund Unrestricted Revenue for fiscal year (FY) 2014. The ten-year forecast, starting with FY 2016, shows a modest increase in revenue, while FY 2015 shows a very slight decrease of -0.2% (-\$9 million) from the previous forecast.

“Based on actual production data, we have seen an increase of 13,600 barrels per day of North Slope oil production in FY 2014 compared to what we had forecast just five months ago,” Commissioner Rodell said.

The Department of Revenue is now forecasting unrestricted revenue of \$5.3 billion for FY 2014 and \$4.5 billion for FY 2015.

“There are some slight short-term revisions in our production projection that relate to changes to summer 2014 maintenance plans and account for increased drilling activity,” Commissioner Rodell added. “I would like to note that, in both FY 2014 and FY 2015, unrestricted revenue from oil production is higher than the fall 2013 forecast and importantly, the slight reduction in the forecast of unrestricted revenue in FY 2015 is due to reductions in expected investment earnings.”

Our production forecast follows a consistent and prudent methodology, and while we have incorporated some increase in production, as well as a significant increase in capital investment into our fall 2013 forecast, please note that the spring 2014 forecast is simply an update of the previous fall 2013 forecast. The coming fall 2014 forecast will be the first forecast under the new tax system, and the first budget cycle companies can evaluate projects with tax certainty. I expect to see many questions answered between now and then, hopefully resulting in high enough levels of certainty to begin incorporating new production into our revenue forecast.

“In order to maintain stable or increasing unrestricted state revenue in the future, we will need to see higher oil prices and/or stable or increased production. I remain firm in my belief that with the More Alaska Production Act, we have a tax regime that can address the one factor we can influence – increasing production.”

The spring 2014 revenue forecast is an update of the Fall 2013 *Revenue Sources Book*, released December 4, 2013, and provides basic information about state revenue, as well as the anticipated revenue over the next ten years. The spring 2014 update is available to download on the department's website at tax.alaska.gov.

Repsol Update



Juneau, Alaska

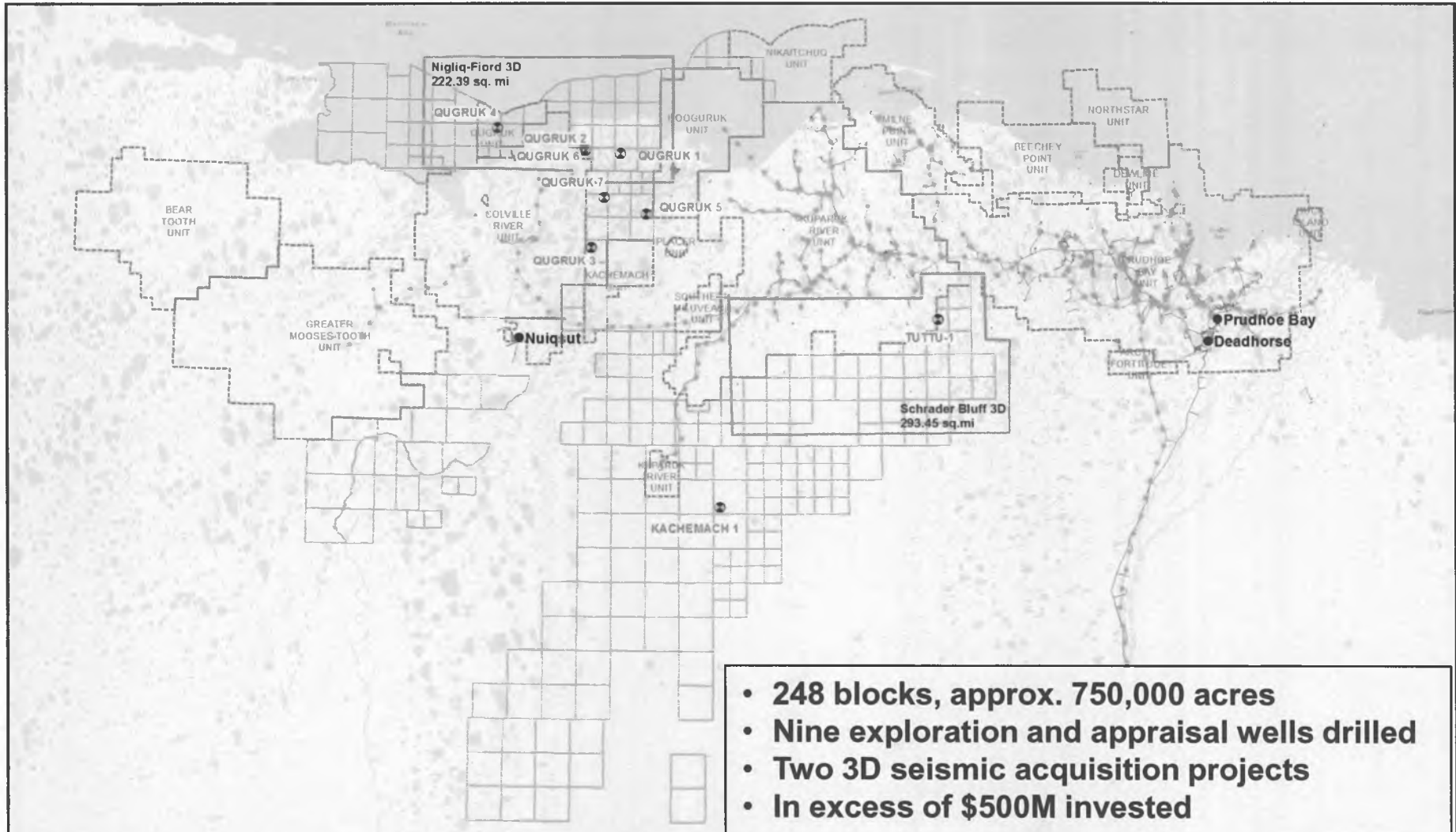
9 April 2014

About Repsol



Exploration and Production activities in 31 countries worldwide

Repsol North Slope Activity to Date



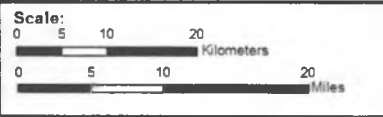
- 248 blocks, approx. 750,000 acres
- Nine exploration and appraisal wells drilled
- Two 3D seismic acquisition projects
- In excess of \$500M invested

Notes:

CRS:
Alaska State Plane
Nad83 Zone4 (ft)

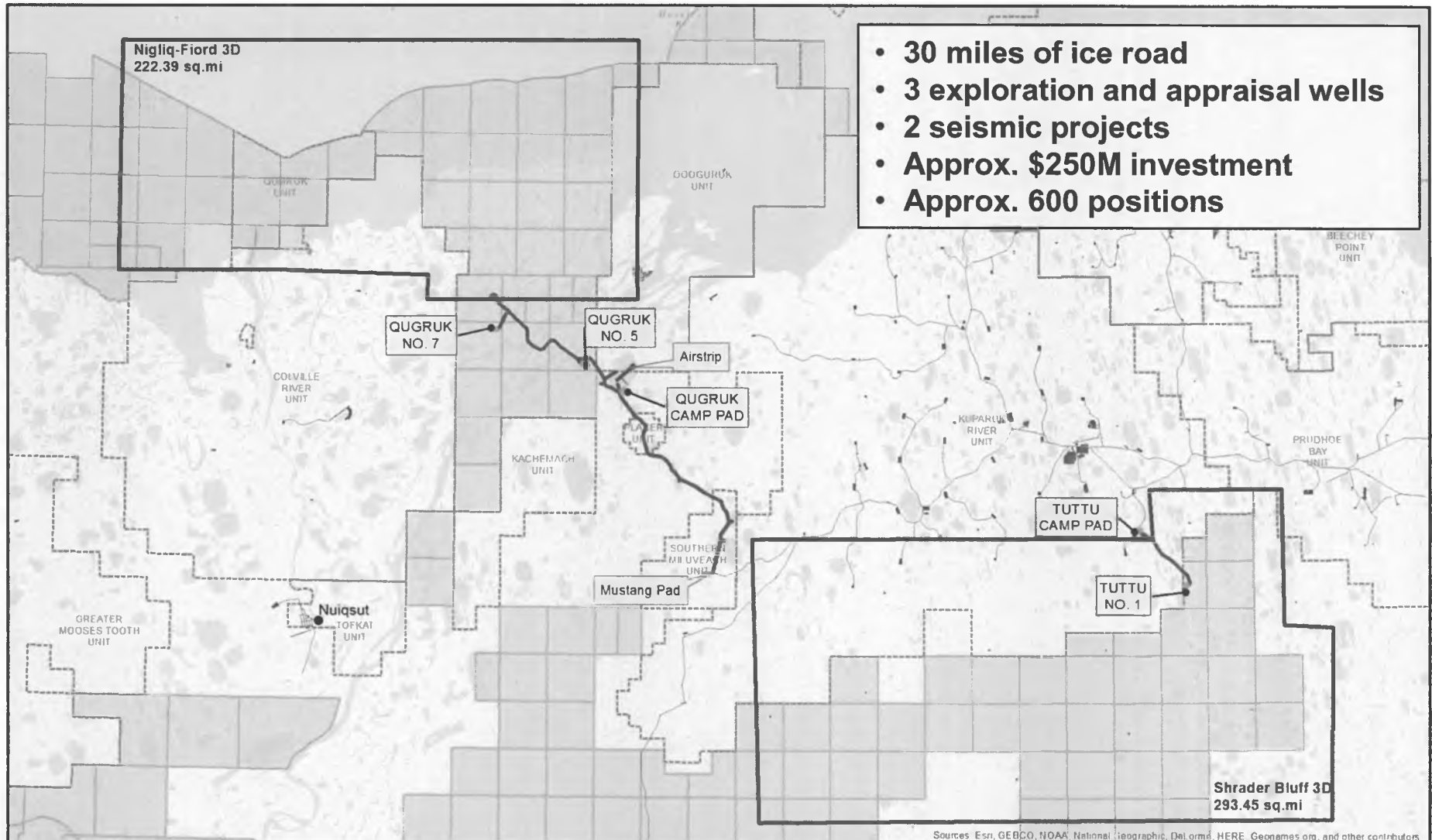
Legend:

- Communities
- ⊕ Repsol Planned 2014
- Pipelines
- Gravel road
- Repsol Lease
- ▭ Production Units
- ▭ Facilities
- ▭ 3D Seismic Acquisition 2014



REPSOL E&P USA INC.			
Alaska North Slope Development Project			
Repsol North Slope Activity			
By: ASR	DATE: 04/04/2008	REV: 1.0	Sheet 1 of 1

Repsol North Slope 2014 Activity



- 30 miles of ice road
- 3 exploration and appraisal wells
- 2 seismic projects
- Approx. \$250M investment
- Approx. 600 positions

<p>Notes:</p> <p>CRS: Alaska State Plane Nad83, Zone 4 (USfoot)</p>	<p>Legend:</p> <table border="0"> <tr> <td>● Communities</td> <td>▨ Pads_Repsol</td> <td>▨ RepsolLease</td> </tr> <tr> <td>— As_Built_IR</td> <td>▨ Facilities</td> <td>▨ 3D Seismic Acquisition 2014</td> </tr> <tr> <td>— Gravel_road</td> <td>▨ Production Units</td> <td>▨ Airstrip</td> </tr> </table>	● Communities	▨ Pads_Repsol	▨ RepsolLease	— As_Built_IR	▨ Facilities	▨ 3D Seismic Acquisition 2014	— Gravel_road	▨ Production Units	▨ Airstrip	<p>Sources: Esri, GEBCO, NOAA, National Geographic, HERE, Geonames.org, and other contributors</p>	<p>Scale:</p> <p>0 3 6 12 Kilometers</p> <p>0 2.25 4.5 9 Miles</p>	<p>N</p>	<p>REPSOL E&P USA INC.</p> <p>Alaska North Slope</p> <p>Overview Winter Activities 2014</p> <p>By: ABR DATE: 04/04/2013 REV: 5.6 Sheet 6 of 6</p>
● Communities	▨ Pads_Repsol	▨ RepsolLease												
— As_Built_IR	▨ Facilities	▨ 3D Seismic Acquisition 2014												
— Gravel_road	▨ Production Units	▨ Airstrip												



Thank you





POINT THOMSON PROJECT

Point Thomson Project | Update

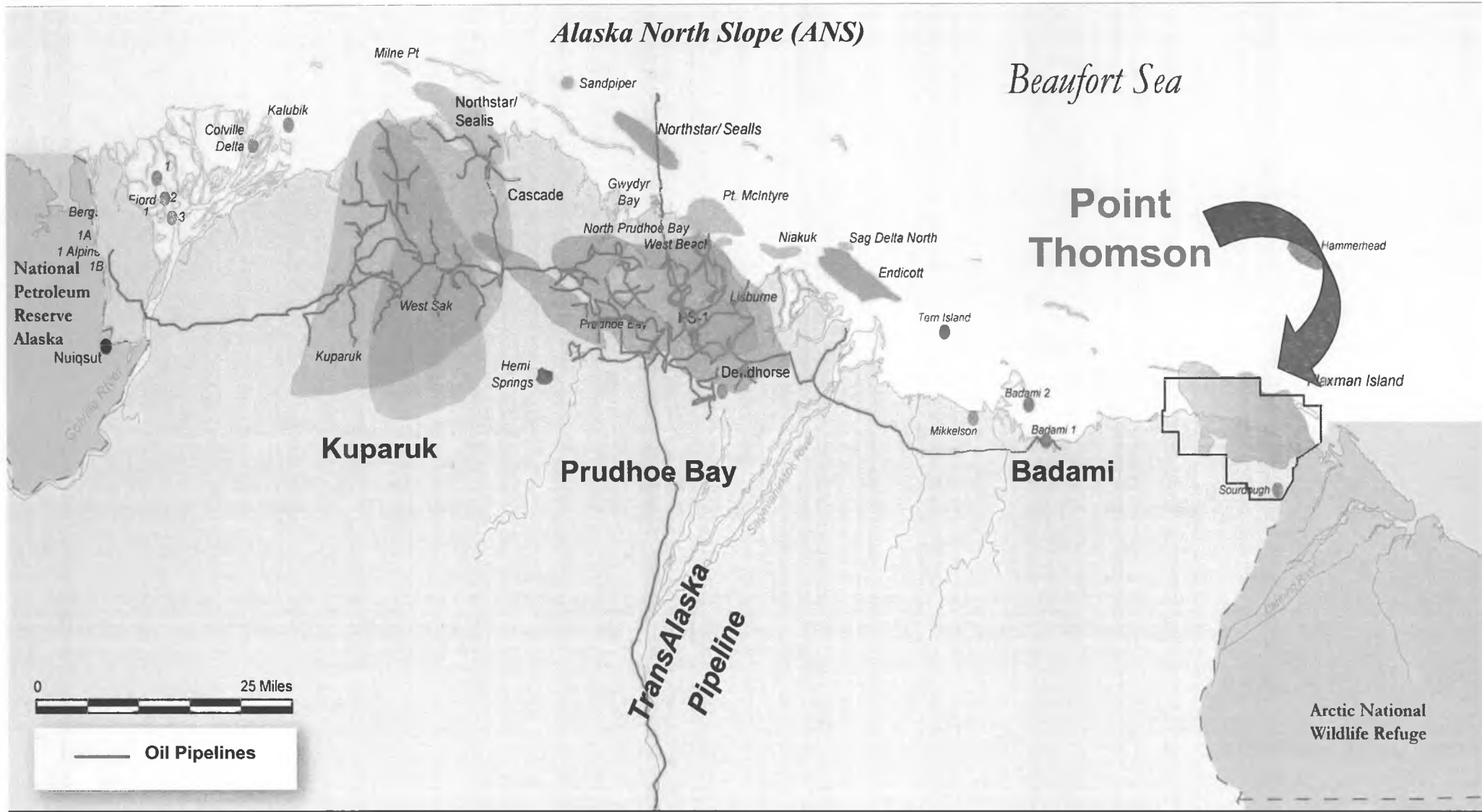
Sofia Wong | April 2014

ExxonMobil



POINT THOMSON PROJECT





- Discovered in 1977
- 60 miles east of Prudhoe Bay and Trans Alaska Pipeline System
- Point Thomson Unit covers ~150 square miles
- Located in remote and environmentally sensitive area
- Thomson Sand reservoir contains an estimated 8 trillion cubic feet (TCF) of gas and 200 million barrels of condensate (~25% of known North Slope gas resource)



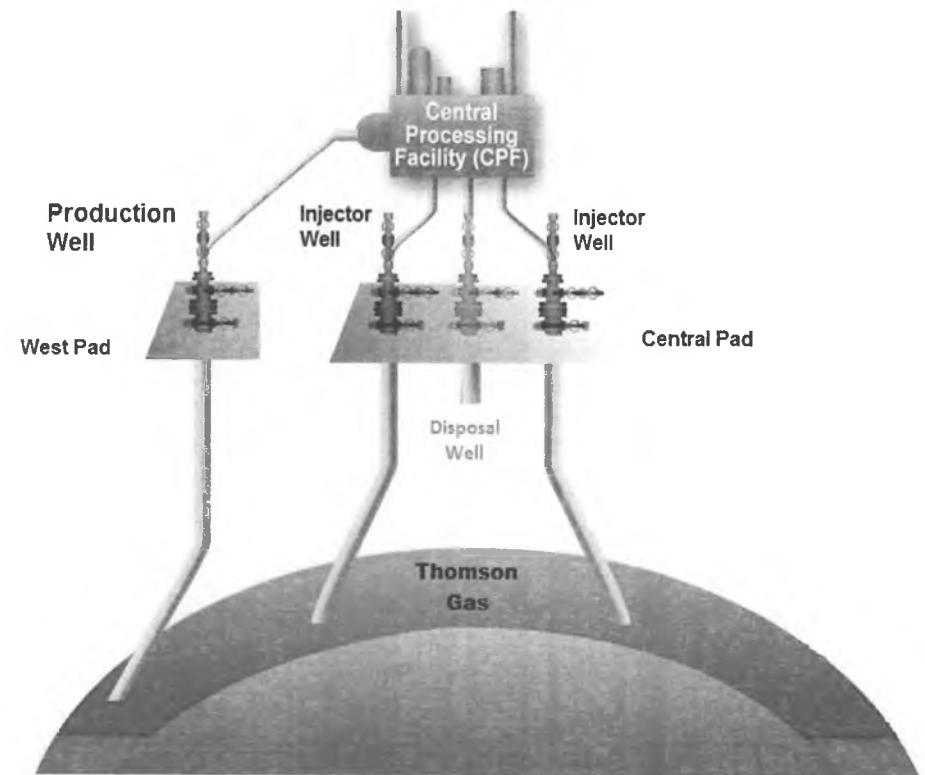
Initial Production Facility

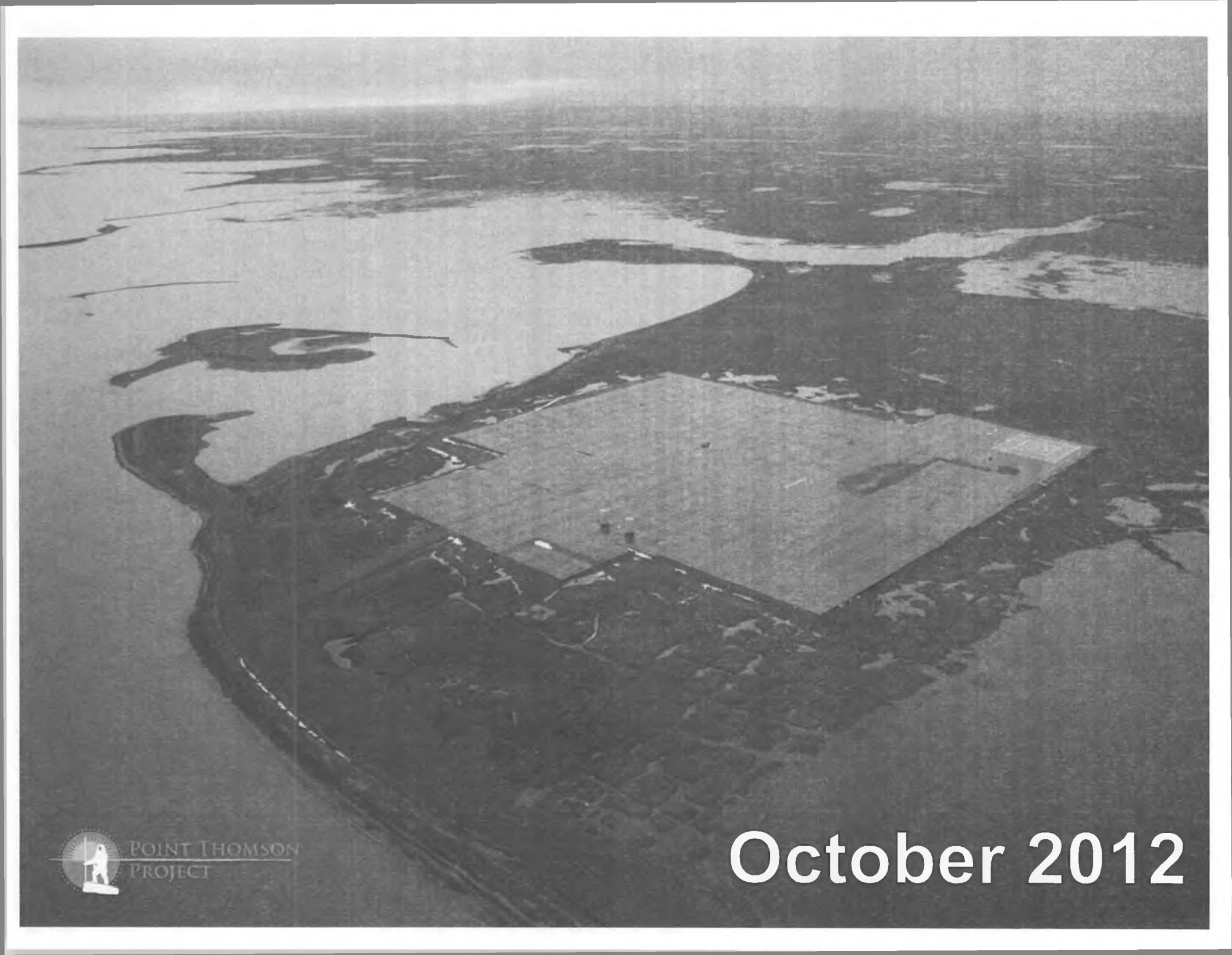
Scope

- Produce up to 10,000 BPD of condensate into Trans Alaska Pipeline System
- Support pipeline extension, with a capacity of 70,000 BPD
- Establish critical infrastructure (roads, gravel pads, pier, camp, airstrip, gas processing plant)

Process

- Capacity to cycle 200 million cubic feet of natural gas per day
- One production well and two injection wells
- Directional drilling minimizes environmental footprint





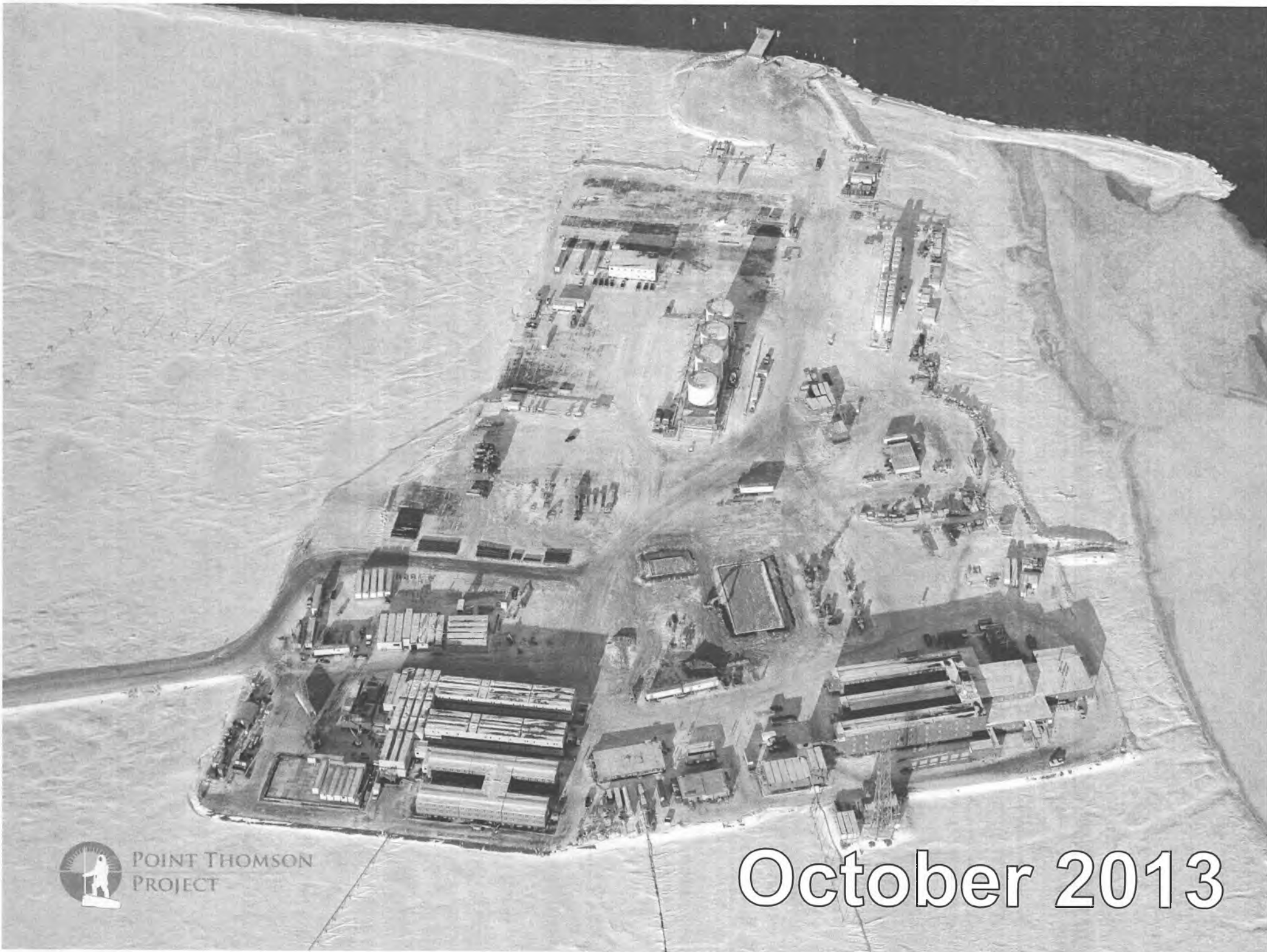
POINT THOMSON
PROJECT

October 2012



July/August 2013





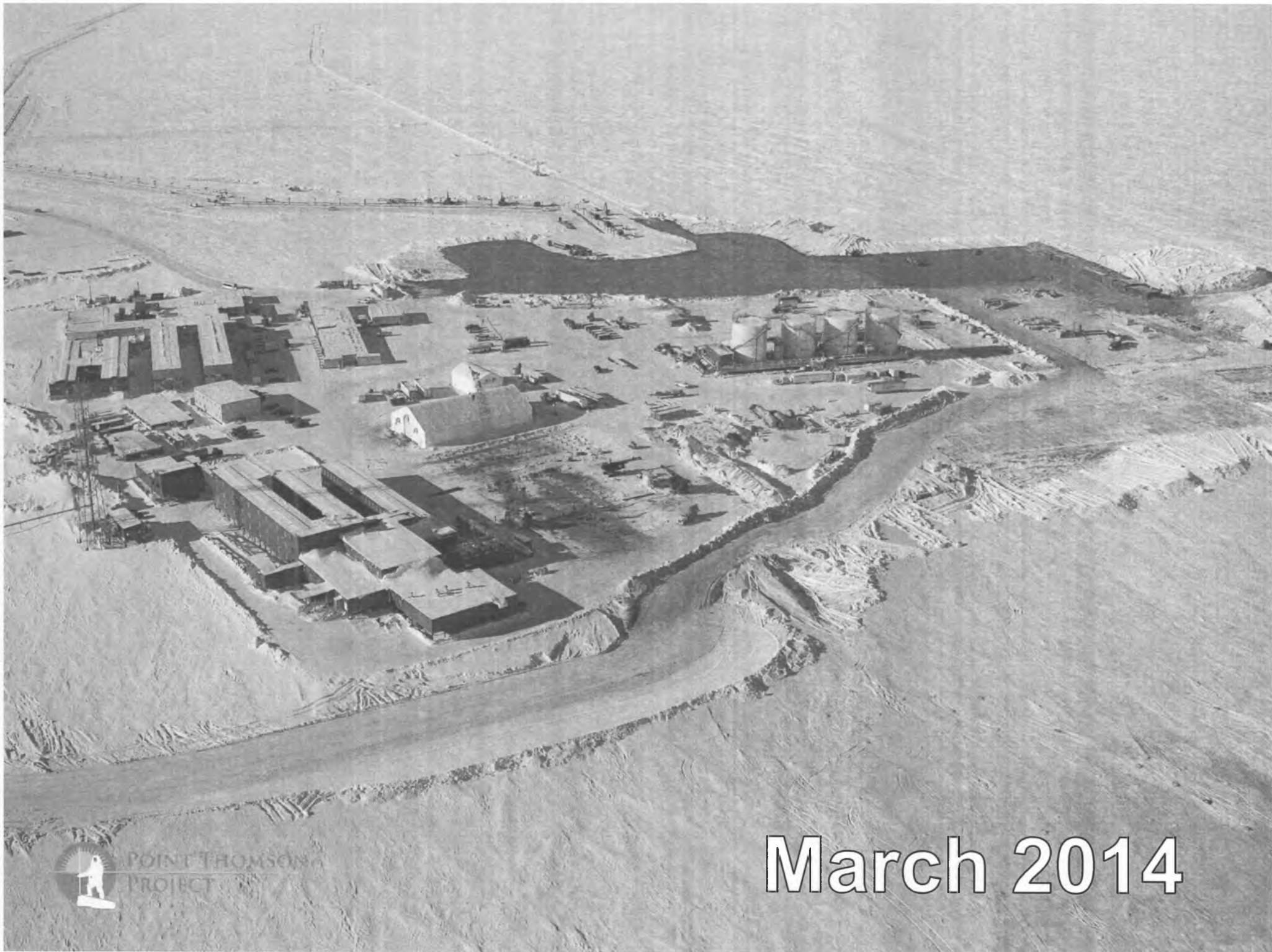
POINT THOMSON
PROJECT

October 2013



 JOHN THOMSON
PROJECT

March 2014



March 2014



**Sealift
Bulkhead**

ACS / Maintenance Building

Flow Lines

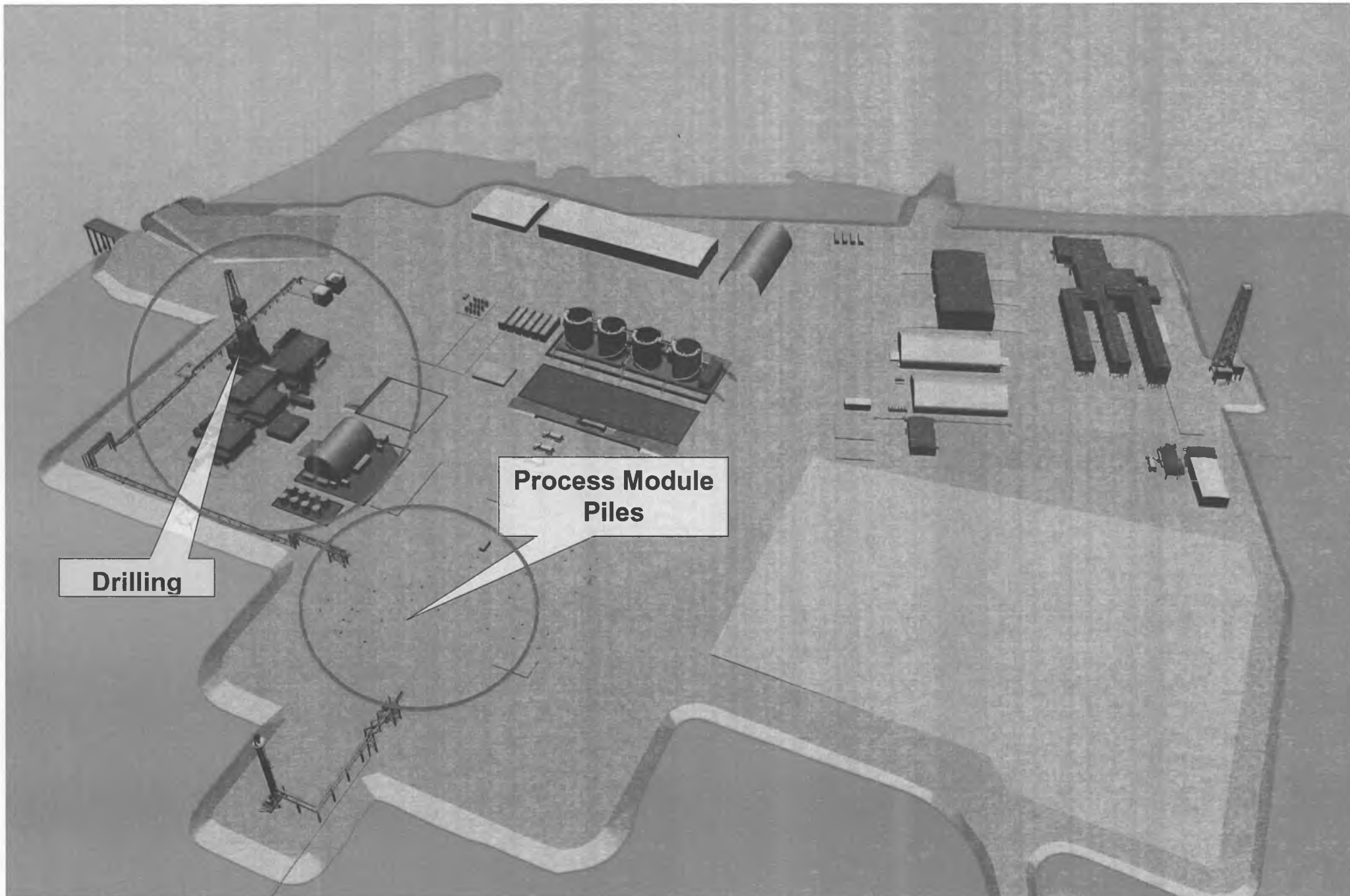
**Remaining
Gravel**

**Export Pipeline &
West Gathering Line**

2014



**POINT THOMSON
PROJECT**



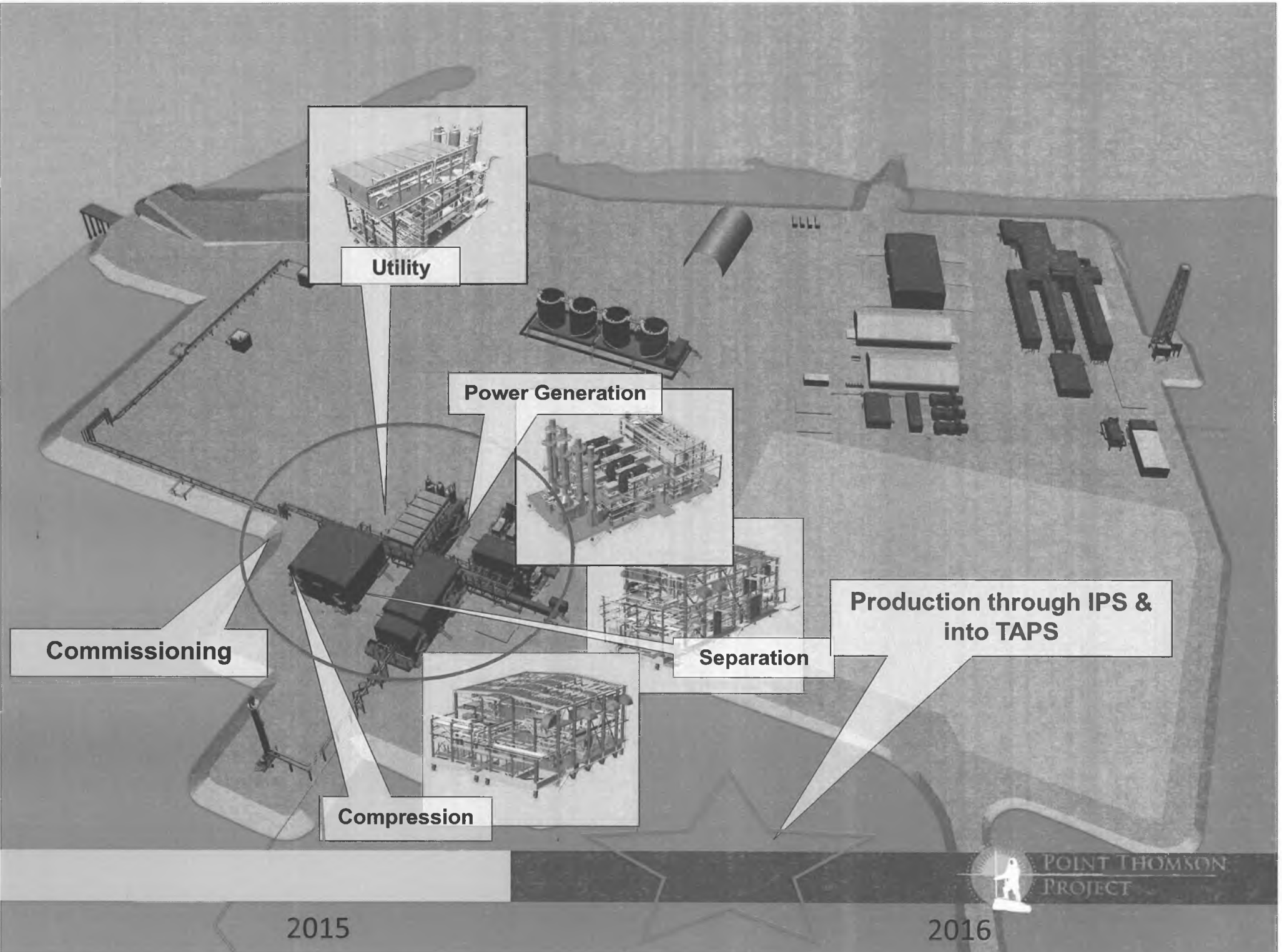
Drilling

**Process Module
Piles**

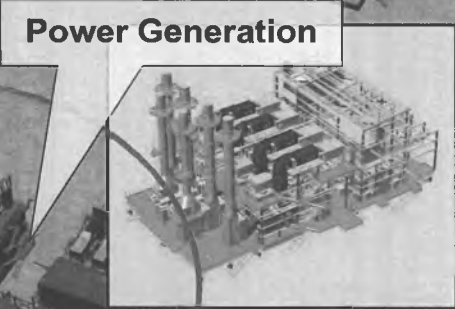
2015



**POINT THOMSON
PROJECT**

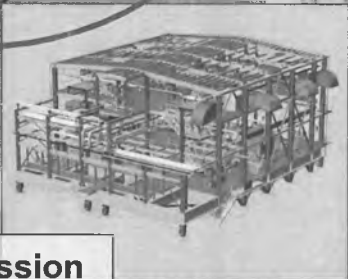


Utility

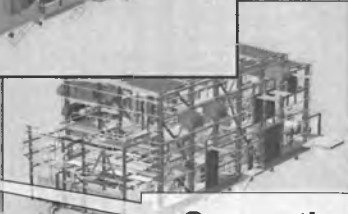


Power Generation

Commissioning



Compression

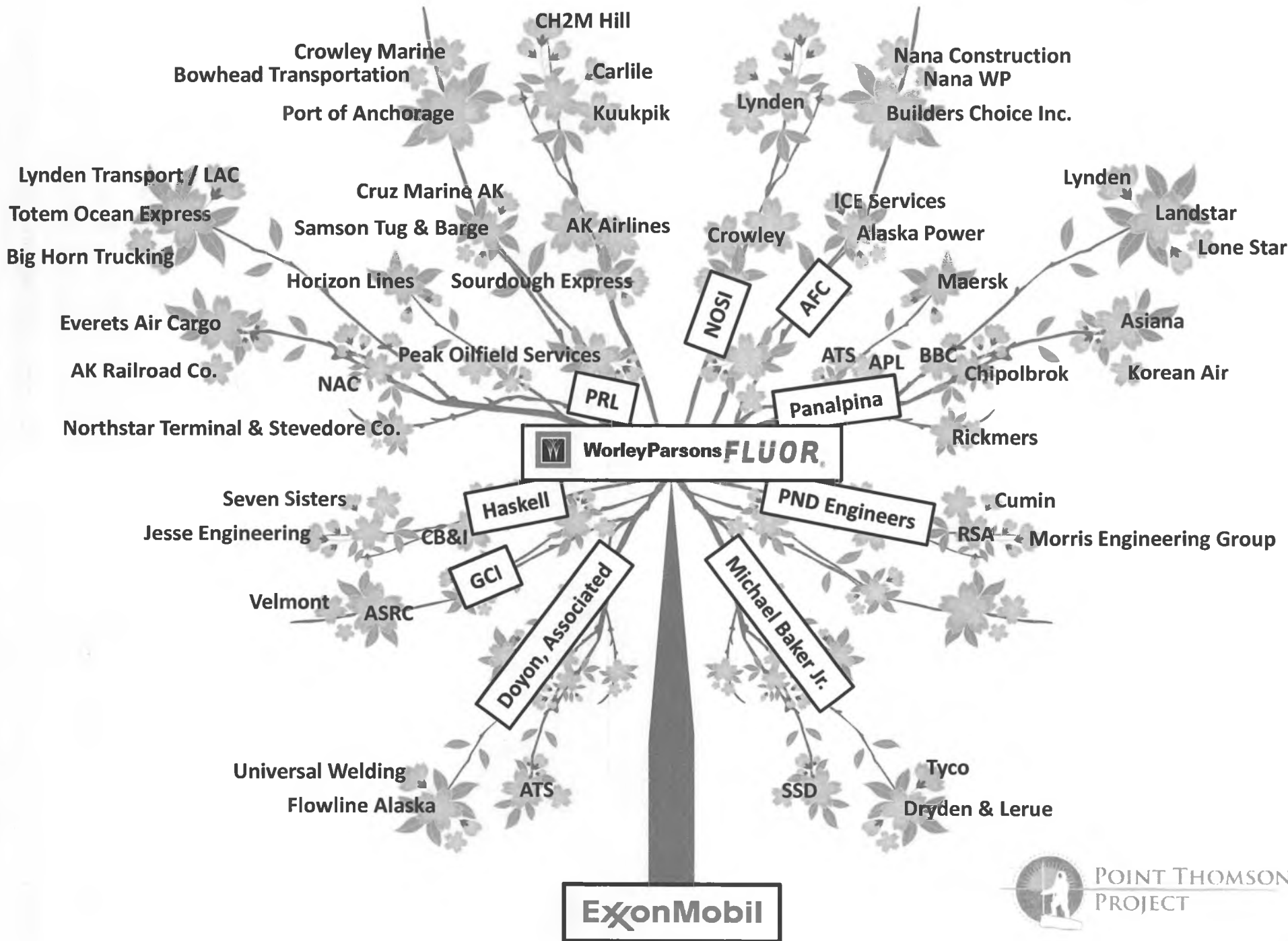


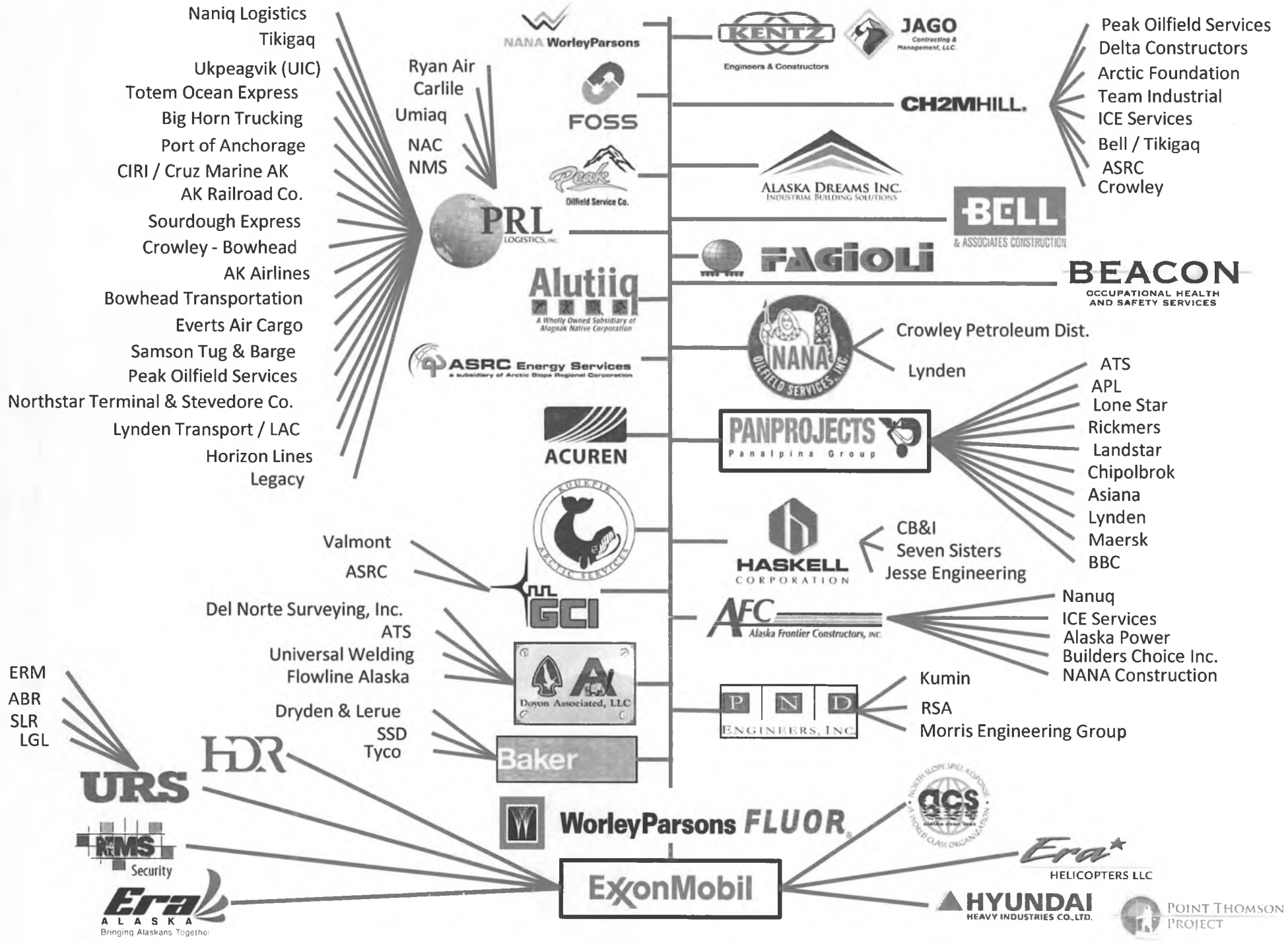
Separation

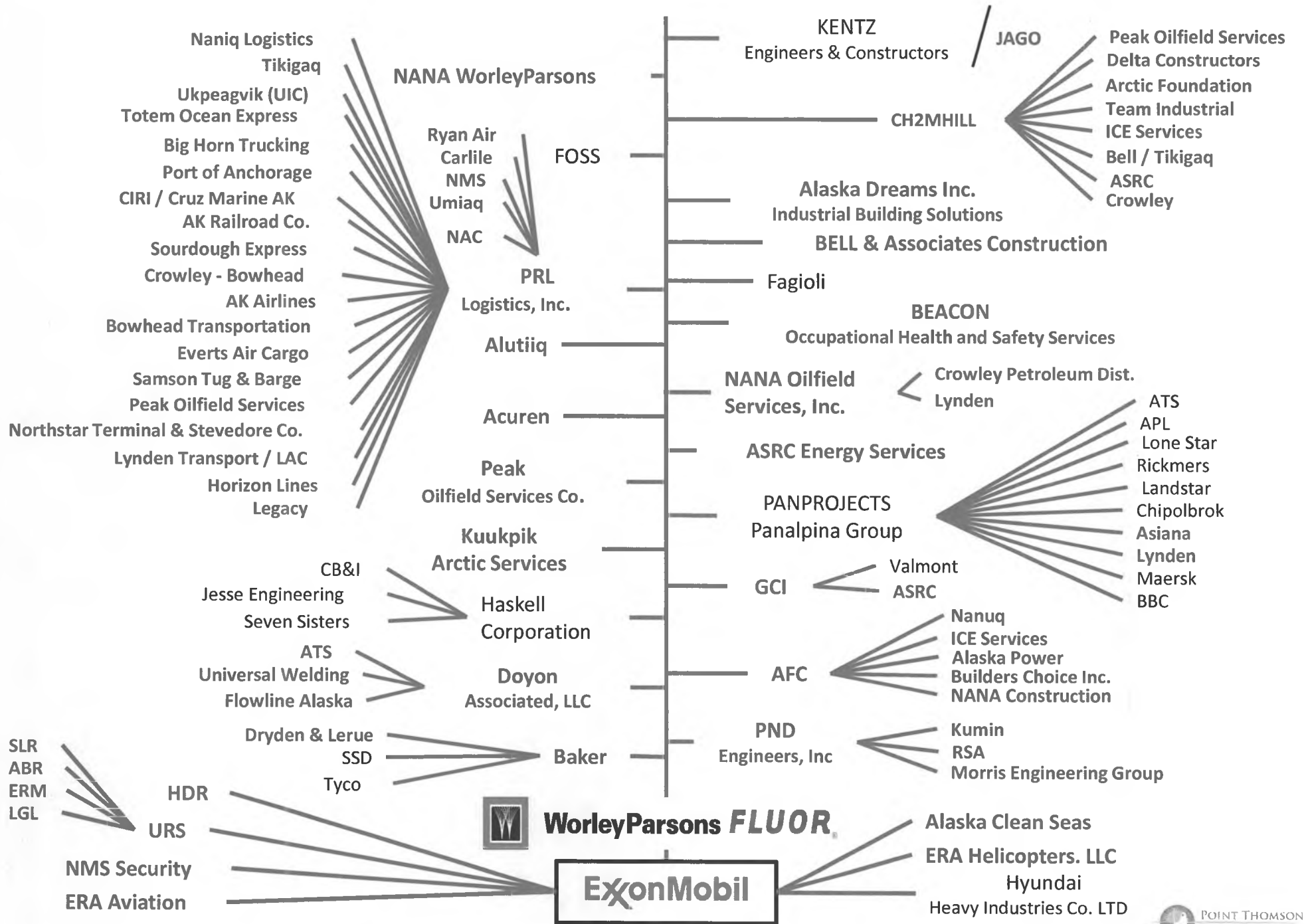
Production through IPS & into TAPS

2015

2016





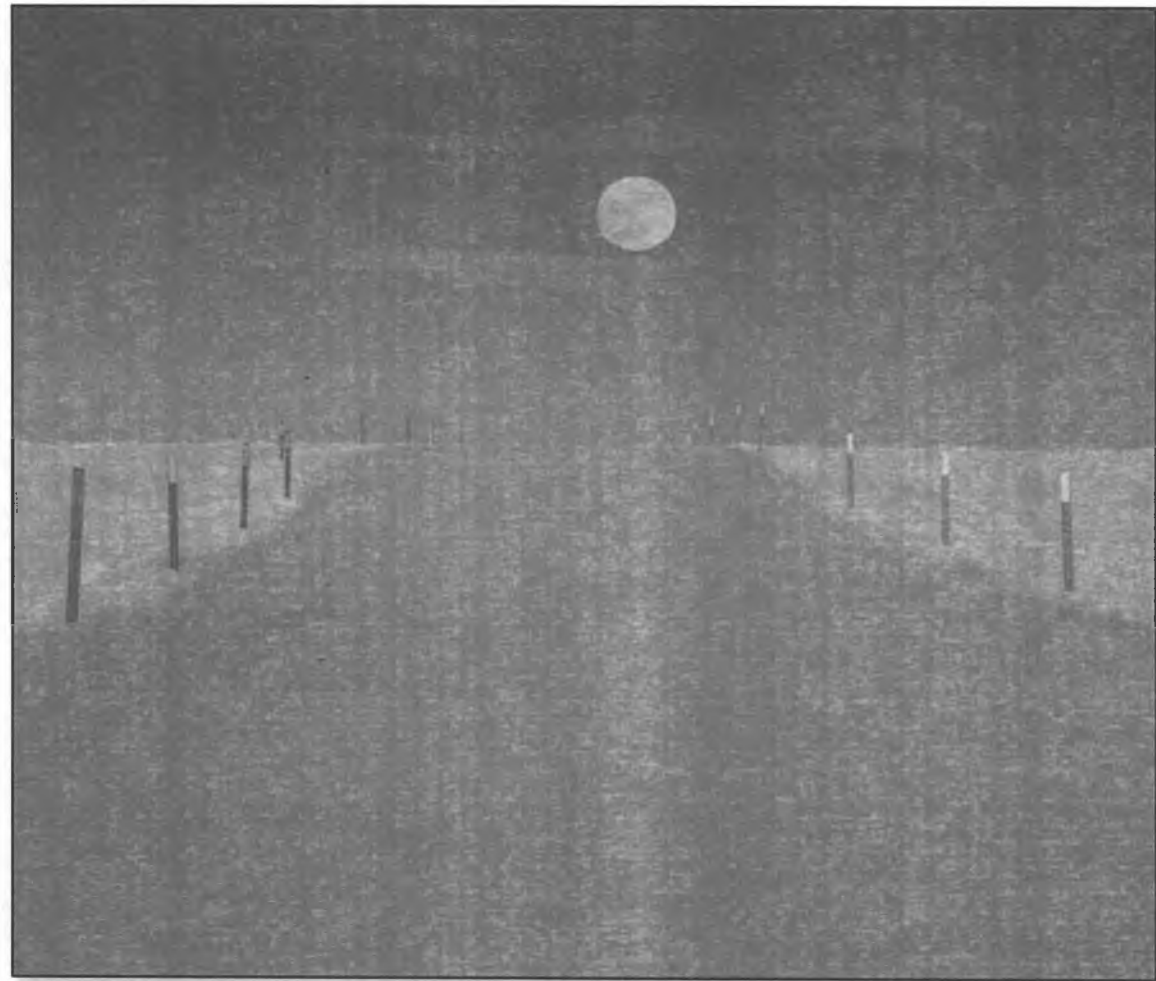




POINT THOMSON
PROJECT



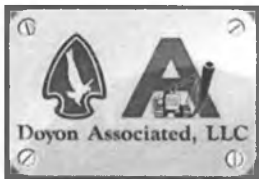
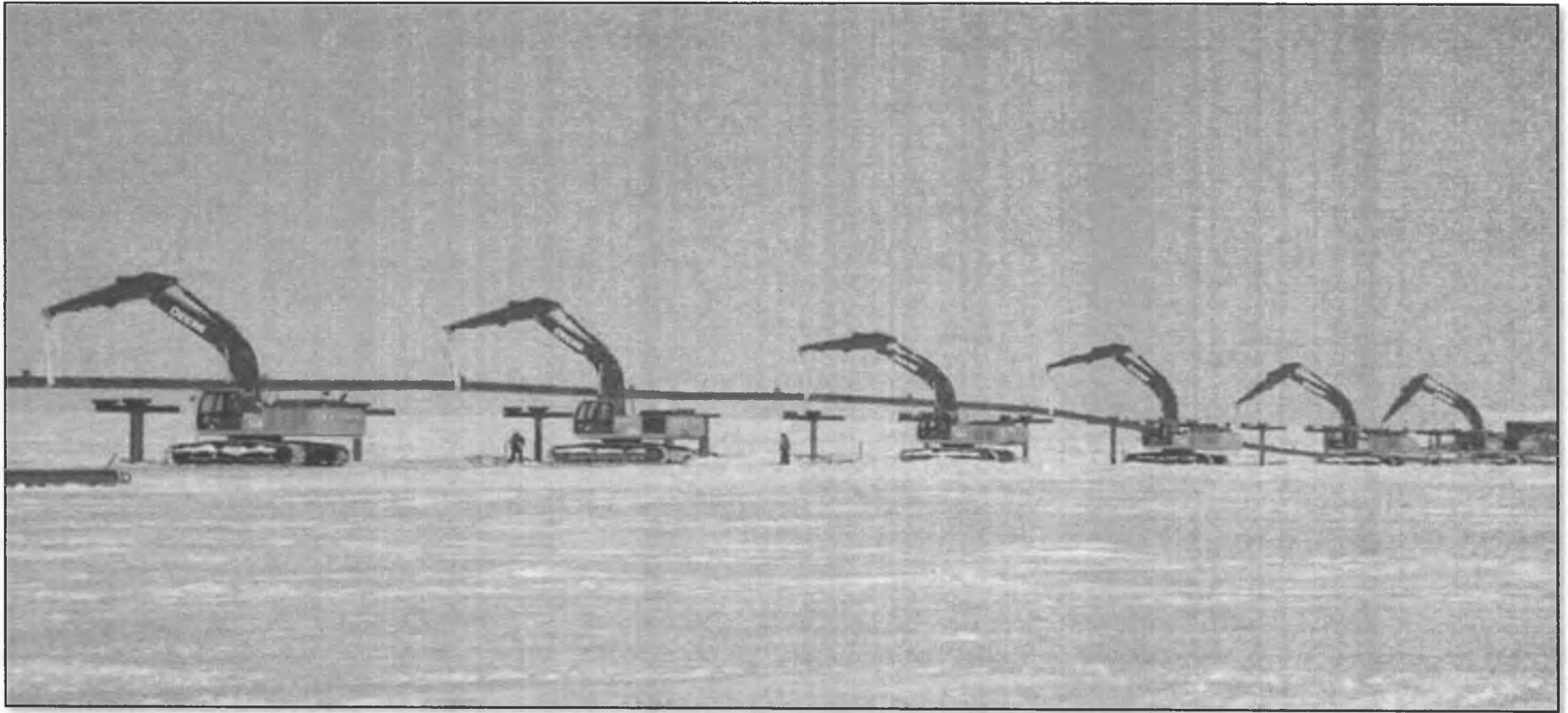
**Alaska Frontier
Constructors, Inc.**
Anchorage
Ice Roads, Gravel
Pads, Construction



POINT THOMSON
PROJECT



POINT THOMSON PROJECT



Doyon Associated
Fairbanks
Design and Execution of Pipeline

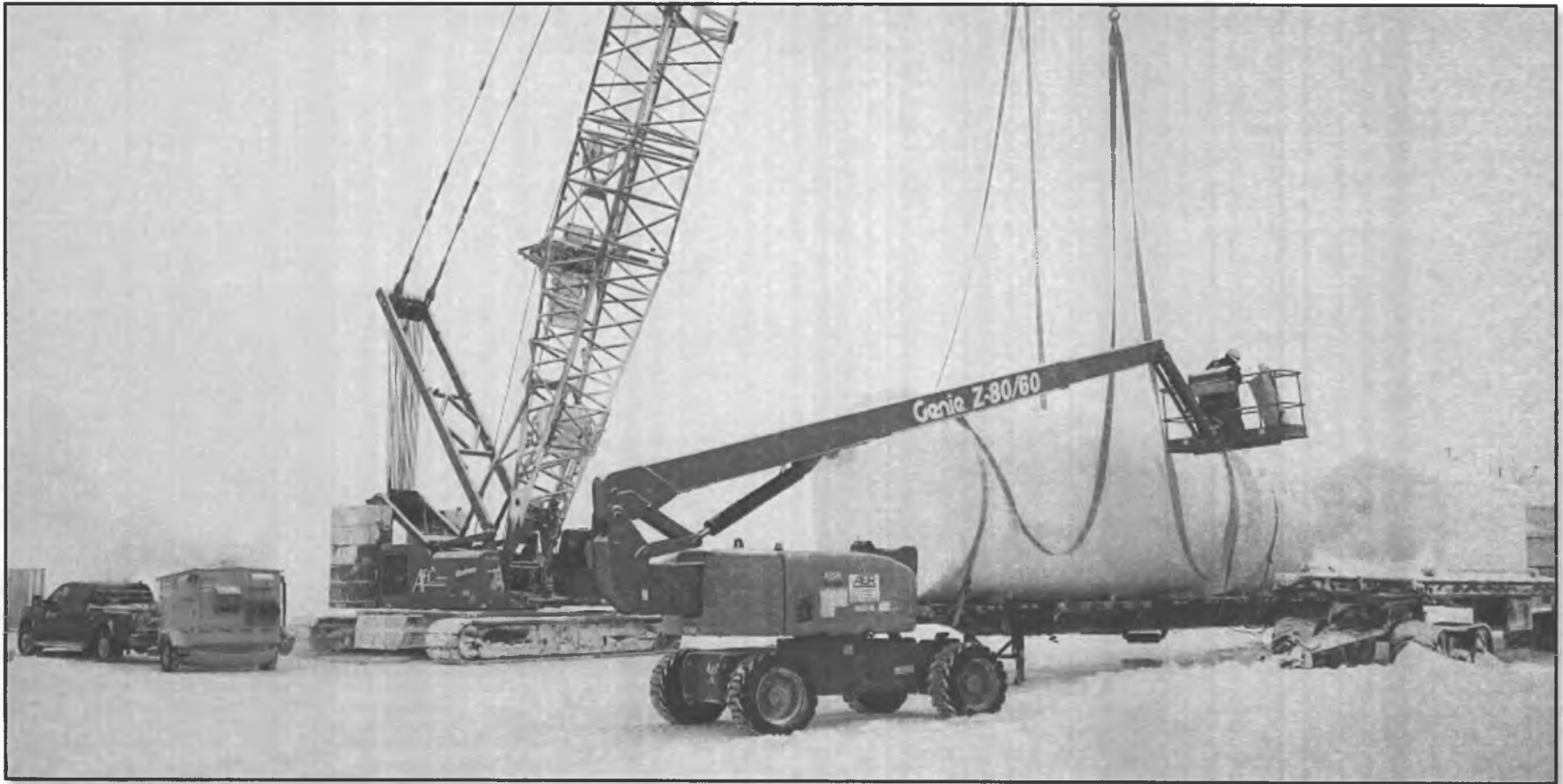




POINT THOMSON PROJECT



Pacific Rim Logistics Anchorage Flow of Material and Personnel

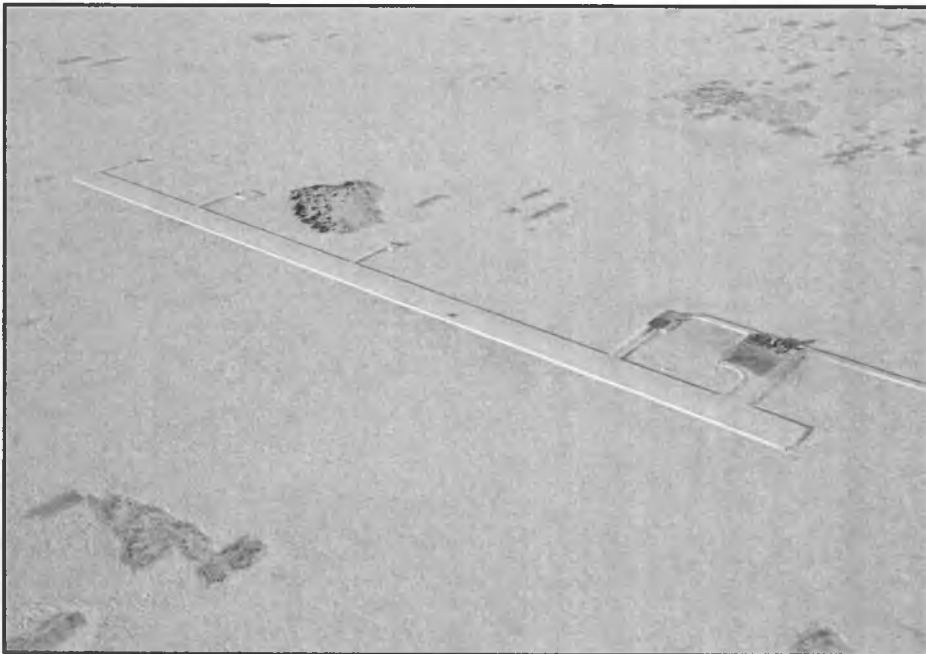




POINT THOMSON PROJECT

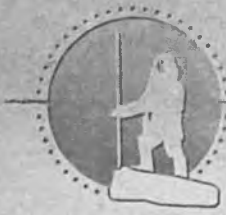


Morris Engineering
Juneau
Airstrip Design &
Engineering



Builder's Choice Incorporated
MatSu Valley
Construction of Permanent
Camp





WORKFORCE

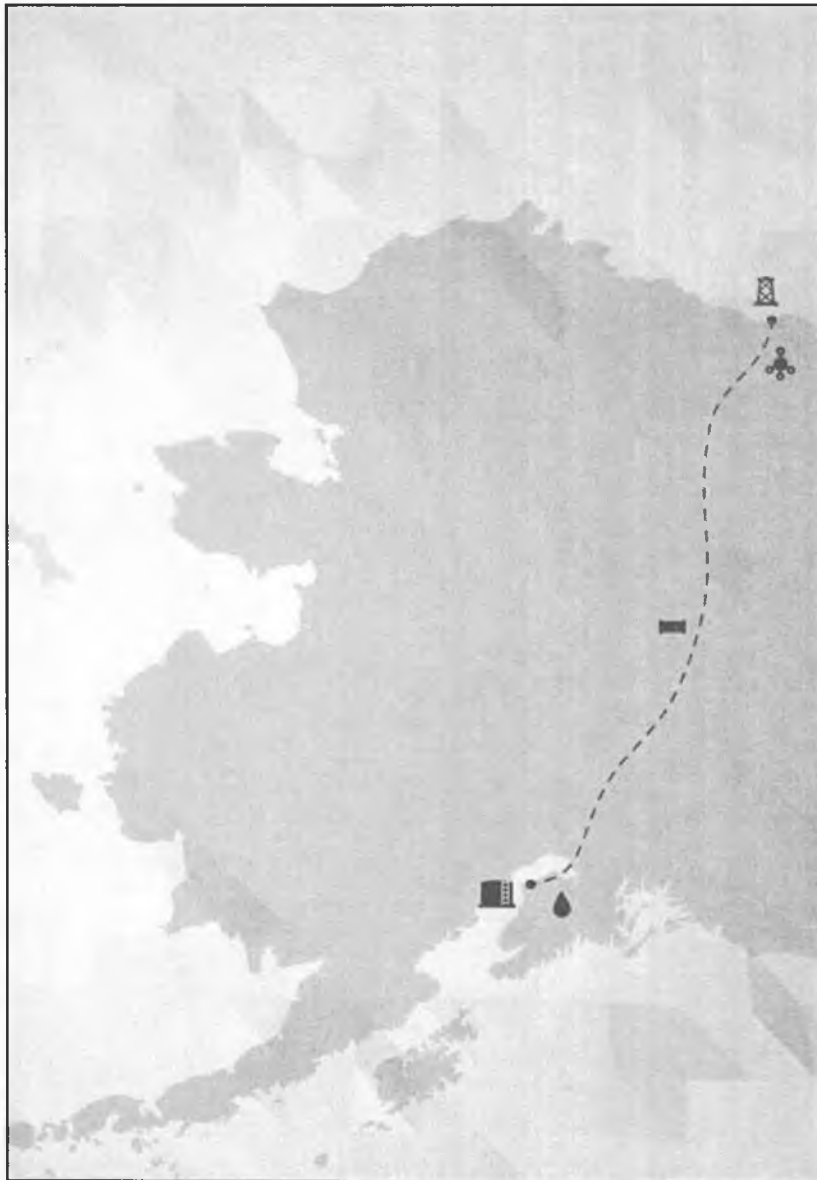


- ✓ More than 729 positions on the slope, many of which are rotational
- ✓ 1,200 positions statewide
- ✓ 85% Alaskans
- ✓ Out of 92 companies, 73 are Alaskan





POINT THOMSON
PROJECT



SUMMARY

- ✓ First oil into TAPS by early 2016
- ✓ Investment toward commercialization of gas
- ✓ An Alaska project, built by Alaskans for the benefit of Alaska.



POINT THOMSON
PROJECT



POINT THOMSON
PROJECT

Thank You

ExxonMobil



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PROJECT



2014 Updates From the Field Senate Resources

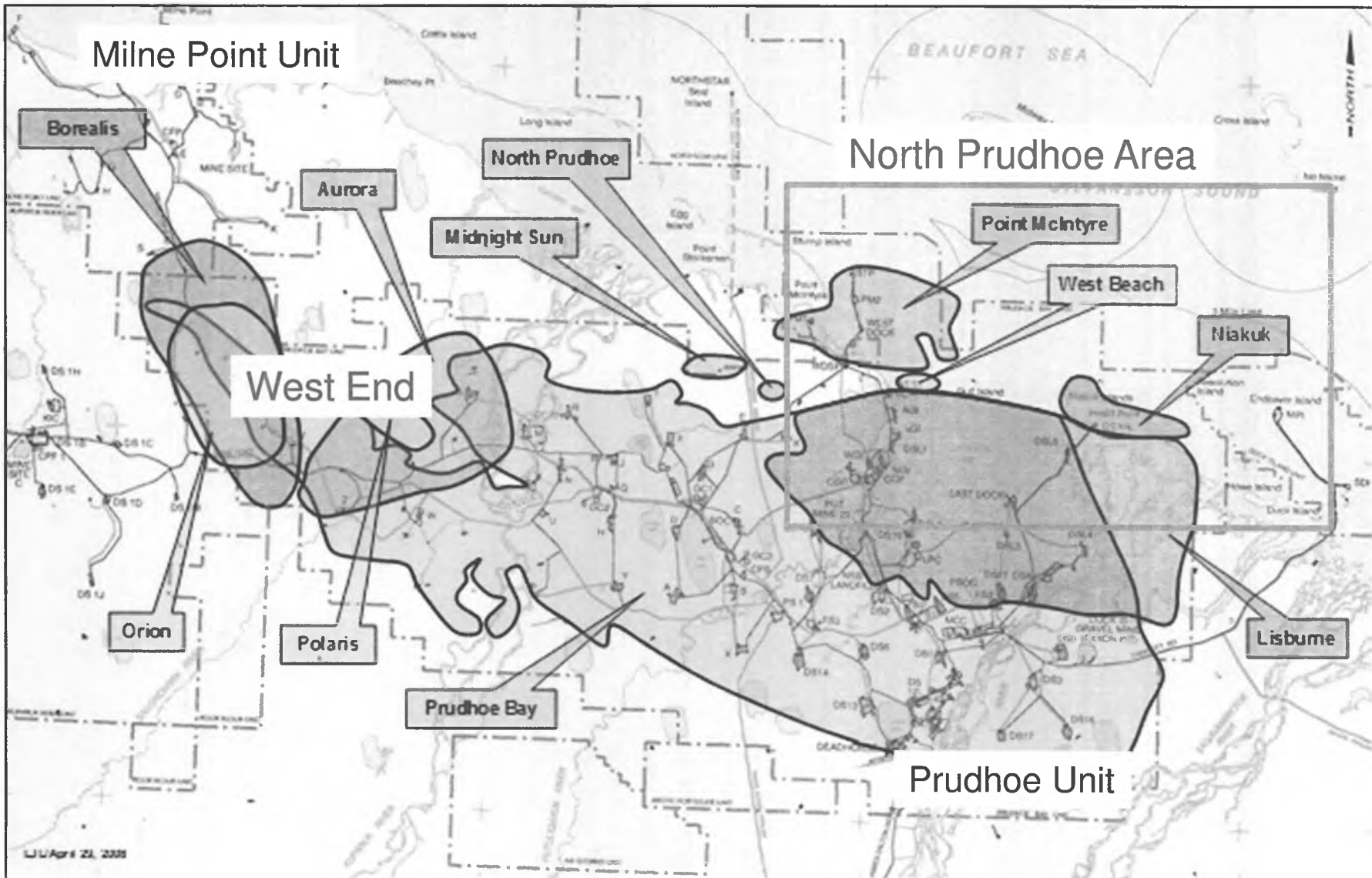
April 9, 2014
BP Exploration Alaska

Investments in Alaska Summary



- Actively investing in the North Slope oil fields
- Acquiring new seismic data in Northern Prudhoe Bay – 190 sq. miles summer and 220 sq. miles winter season, 150 jobs, ~\$78 million, 55 million barrels resource potential
- Adding 2 new rigs with 200 jobs, \$1 billion over 5 years – currently 7 rigs
- Testing new drilling completions technology for challenging oil fields. i.e.: Sag River potential resource 200 million barrels
- Restarted development Milne Point drilling in 2014
- Appraise/Select stage engineering for West End Prudhoe Bay with potential startup in 2018, \$3 billion, peak 2022 est. 40,000 bopd
- Major facility investments committed to safe & sustainable operations, for example \$76 million in 2014 Turnarounds with over 700 people involved, including GC2 Module built at NANA's Big Lake facility – 79 jobs, \$13.5 million, potential 2,000 bopd.

Investments in Alaska BP North Slope Operations



Investments in Alaska

North Prudhoe Bay Seismic Survey



- Summer Operations:
July – September 2014
- 3D Ocean bottom node sensors
- Camps at Deadhorse &
West Dock Staging Pad



- Winter Operations:
March – April 2015
- Cable-less node sensors
- Mobile Camps and CAT Train
operations
- Seismic imaging enables drilling
location planning for multiple
targets in four reservoirs



Investments in Alaska BP Drilling Operations



- 7 rigs performing new well and sidetrack drilling and workover operations
- In 2014 BP plans to drill 61 sidetracks and new wells plus workover another 61 existing wells
- Started up 3 new rotary drilling rigs on the North Slope since 2011
- Adding two additional rigs in 2015 & 2016, bringing the BP fleet to 9 rigs from 7 currently
- Significant investment in roads to increase rig moving efficiency for future activity
- Renewed drilling at Milne Point in 2014

Coiled Tubing Drilling Rig



Rotary Drilling Rig



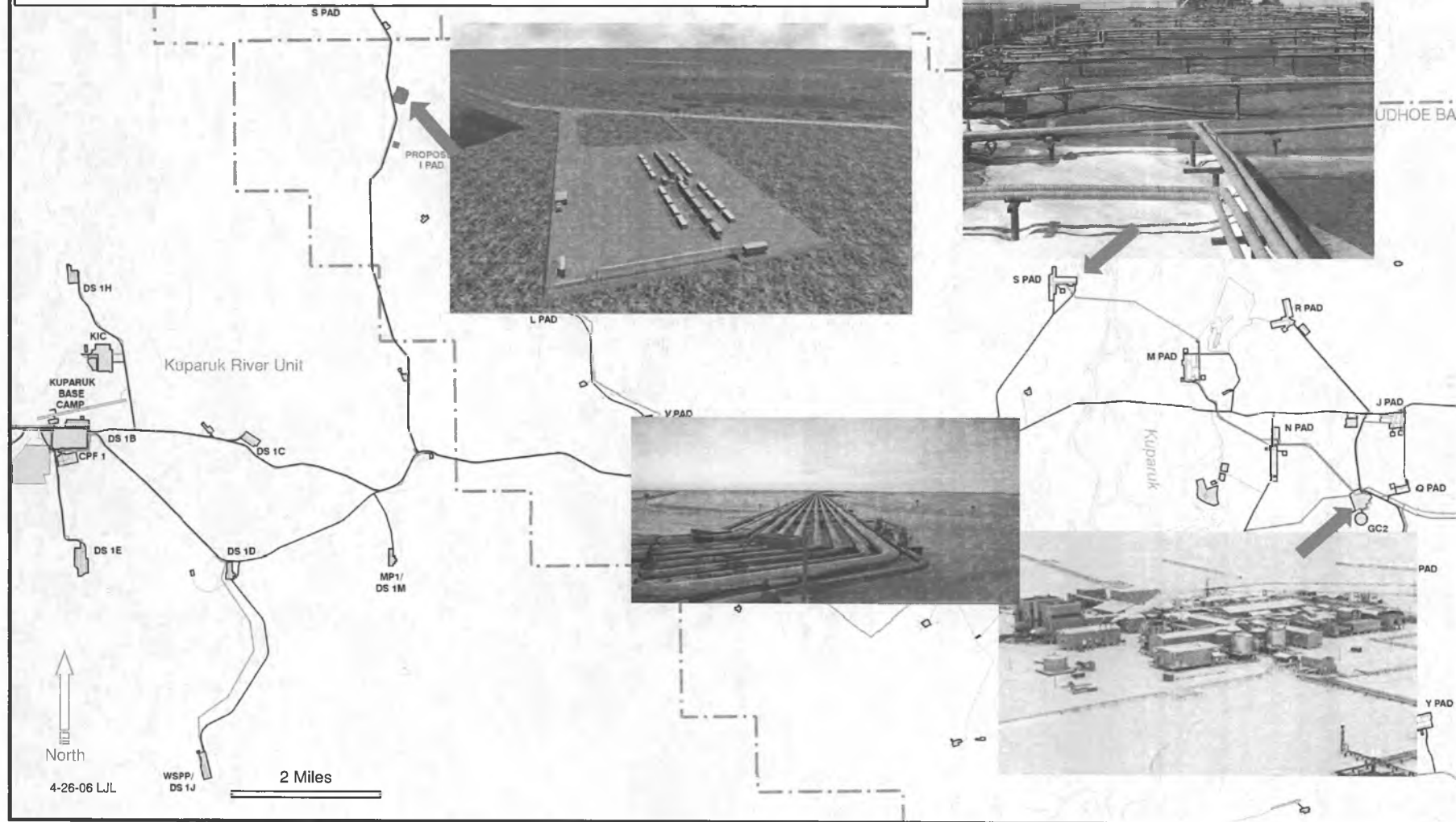
Workover Rig



Investments in Alaska Prudhoe Bay West End Development



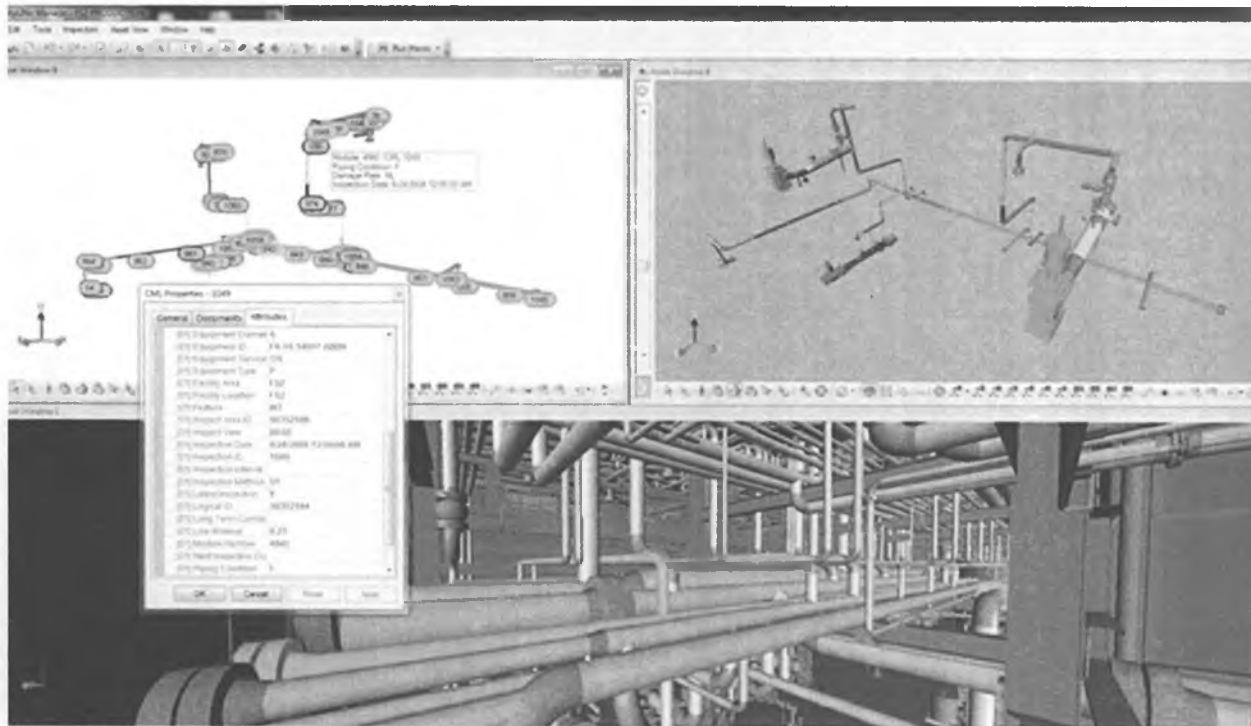
- Select Stage Engineering for one new pad and two pad expansions plus facilities



Investments in Alaska Surface Facilities Renewal



- In July, BP will shutdown three major facilities for 30 to 50 days to perform maintenance and upgrades -- Central Gas Facility, Flow Station 3, and Gathering Center 2
- These Turnarounds took over 2 years to plan
- 700 people mobilized
- Include compressor refurbishment, process and safety improvements, heat exchangers, valves
- Commitment to safe and sustainable operations



Laser imaging scans
to design, fabricate,
and install equipment