

AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3408

290

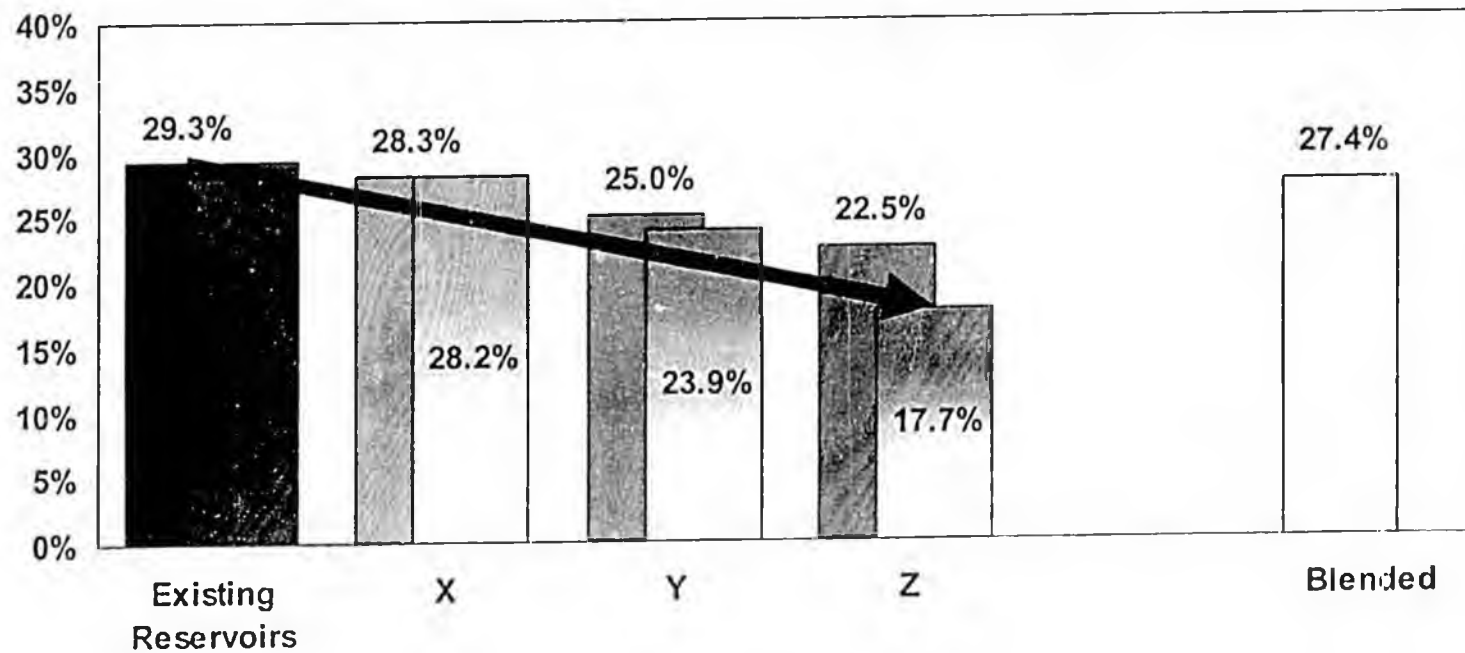
Tax Structure As Applied Under Various Structures

PPT
ACES
Senate Judiciary



PPT Progressivity

Tax Rate By Field Within A Company - As Affected By Portfolio Blending

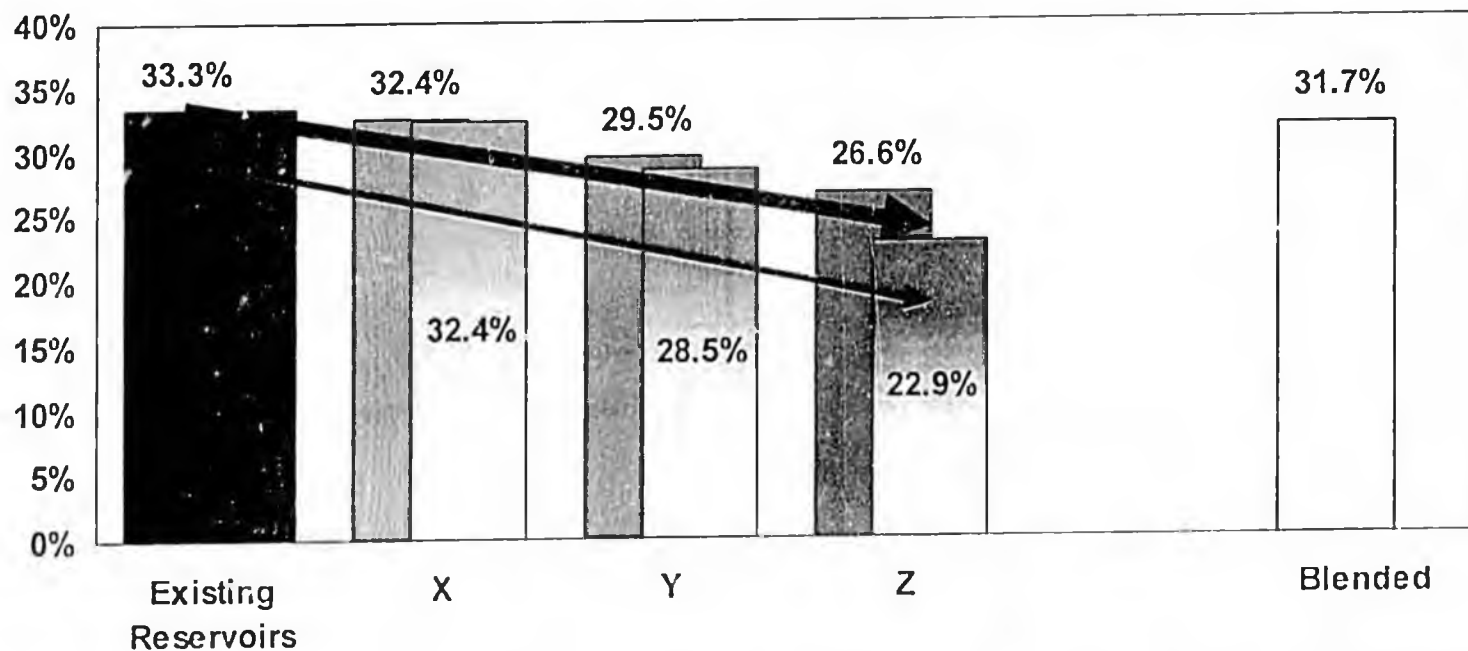


The progressivity can be seen through the lower effective tax rate on lower margin fields



ACES Progressivity

Tax Rate By Field Within A Company - As Affected By Portfolio Blending



The progressivity feature is maintained, although ACES has a higher base rate (25% compared to PPT 22.5%) and a shallower progressivity (0.2% compared to 0.25%), starting \$10 earlier (\$30 rather than \$40 net cash flow per barrel)



Slide left intentionally blank



Conclusions

- A net tax on the “profit margin” is actually a tax on a company’s retained cash flow and not just a tax on simple profitability
- The progressive feature in PPT, in ACES, and in the Senate Judiciary CS allows fields of different profitability within the same company to have different effective tax rates
- More aggressive net progressivity provides a greater differentiation on the effective rate

Actual Prudhoe Results



Where is the tipping point?

- **Quite legitimately several legislators have asked how far (increasing taxes) is just right and how far is too far?**
 - The companies, for obvious reasons, have passed on the opportunity to describe in numerical terms what impact a change in Alaska taxes will have
 - Decision making process has many factors
 - Worldwide better rock trumps fiscal systems
 - Appears the majority of capital spending of the major Alaskan oil companies is in regimes with higher government take
 - All consultants acknowledged that taxes are but one of many factors that control decision making, and cannot say with certainty what tax rate is just right



Testing the Tipping Point

- **Industry testimony to previous committees paints a fairly clear picture of one very important aspect of North Slope operations**
 - AOGA letter which reflects “the full consensus of the members of the AOGA Tax Committee, with no dissent”
 - BP’s very detailed presentation on Prudhoe Bay area
 - Conoco’s useful insight on project economics
 - And other information supplied by Anadarko, Chevron, Exxon and Pioneer.
- **Details presented were then double checked against annual reports, SEC filings, analyst presentations and other company press releases where available**



Overall Observations

- **Based on the testimony and presentations from industry GCA believes:**
 - There is significant upside in terms of barrels of oil to be produced by investing to reduce the natural field decline rate in the major North Slope fields
 - The economics of reinvestment in existing producing assets on the North Slope are extremely profitable
 - Evaluated with actual costs, production and prices as reported by BP
 - Profitable even when tested against various stress points

AOGA Testimony to the House



In discussing the merits of HB 2001 versus PPT and the Administration's concerns, we must always keep in mind the real-world situation that Alaska faces. The **greatest challenge** that confronts this generation of Alaskans and the next is the **ongoing decline** of oil production, which **has been, is today, and promises to remain** the cornerstone of the finances of state government.

- The fiscal system chosen must recognize the current and near-term importance of improving production from existing assets.



AOGA Testimony – Recent Success

This gets us to investment in currently producing fields. Fortunately, there are investments that can be made, and are being made, in these fields to slow their decline. In the short term, this is in-fill drilling — that is, drilling new wells into the portions of a reservoir that are between the wells that have already been drilled. This accelerates the drainage of oil from the rock that currently lies in between existing wells. In-fill drilling last year contributed some 70,000 barrels a day to production from the Prudhoe Bay field. To put this into perspective, a 70,000 barrel per day field would be the 4th largest stand-alone field on the North Slope today.

- AOGA, with the 100% backing of their member organization touted the importance of infill drilling along with its success
- Additional production of 70,000 bopd was achieved with the 2006 infill drilling program.

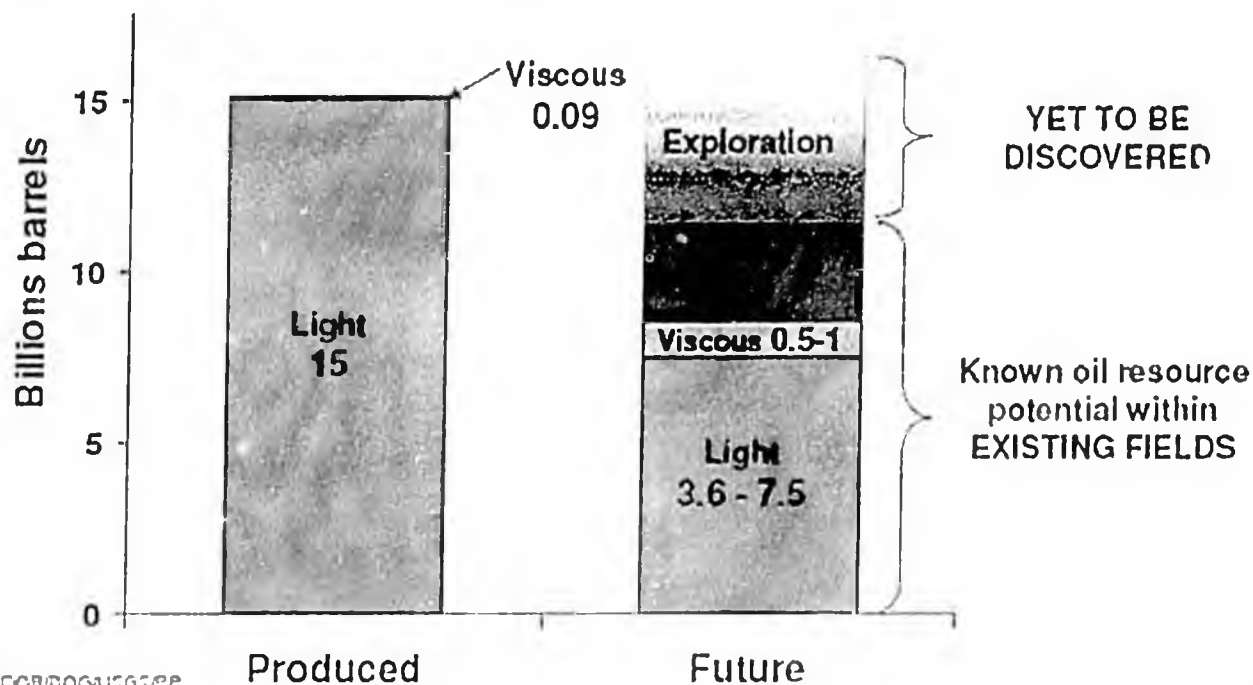


Potential infill upside

The future of North Slope oil still tied to existing fields



Sustained investment in light oil development is critical to developing heavy oil and new fields



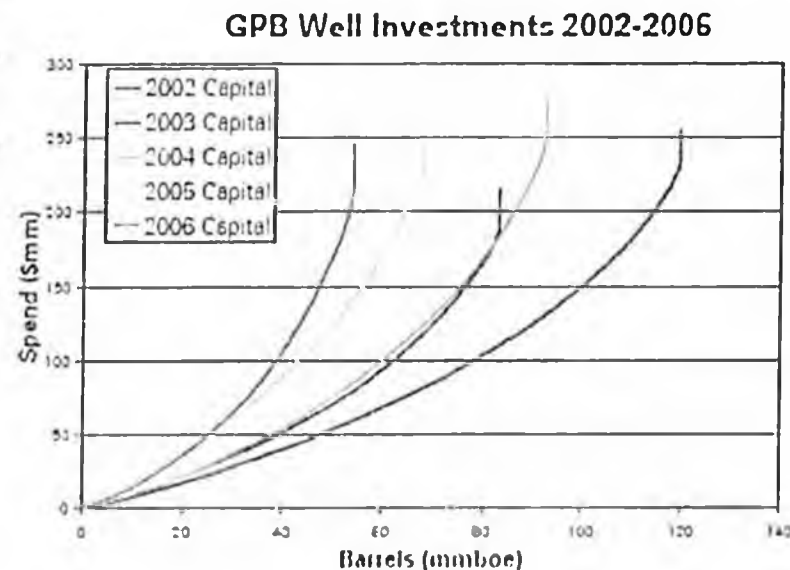
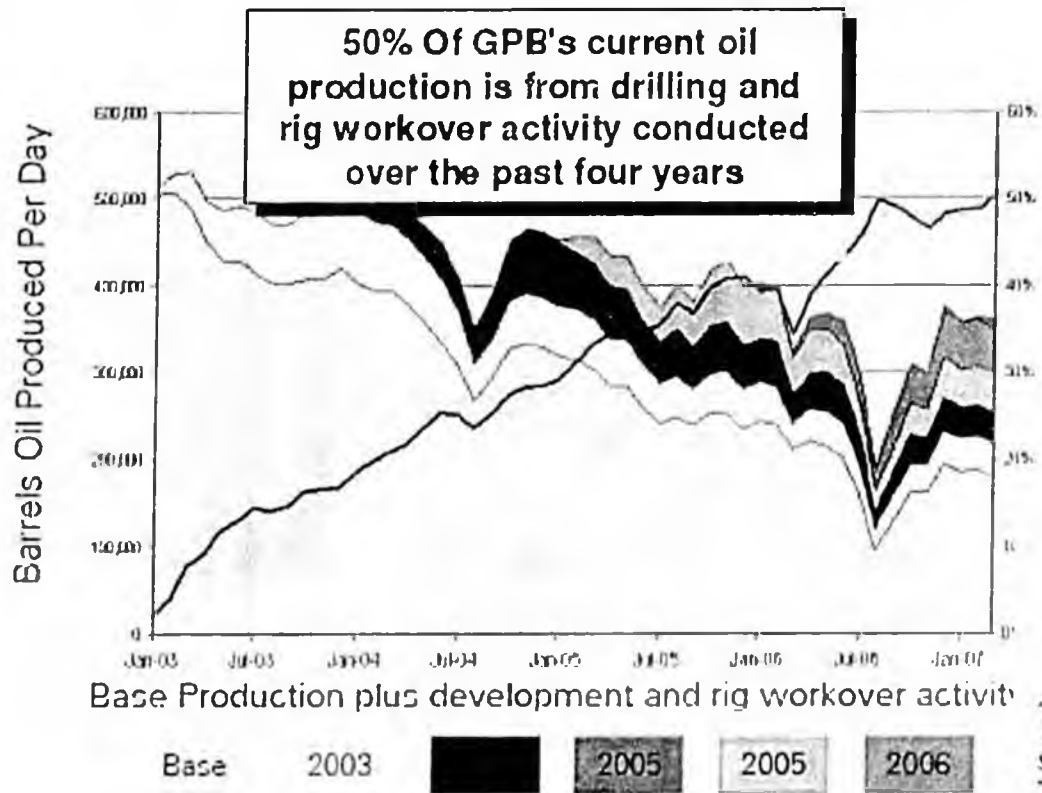
Source: DOR/DG/USGS/BP

BP noted that light oil represented as much as 7.5 Bn bbls out of a total of 11.5 Bn bbls

Light oil ~ 70% of the identified potential



Prudhoe Bay infill drilling results



BP House testimony page 12



Costlier Development

- It is getting more expensive to develop a barrel of reserves (BP Infill program)

	2002	2003	2004	2005	2006
Capex	255	220	275	240	245
MMbls	120	90	80	60	50
\$/bbl	2.13	2.44	3.44	4.00	4.90

- **Contrast the above per barrel F&D costs with:**
 - \$2 or less CAPEX for Prudhoe and Kuparuk to date
 - \$19bn to produce 9.5 bn bbls
 - The P/K upside at \$3.5(15%), \$7.7 (6%), \$12 (3%)
 - Pioneer's view of average F&D for Lower-48 of \$14

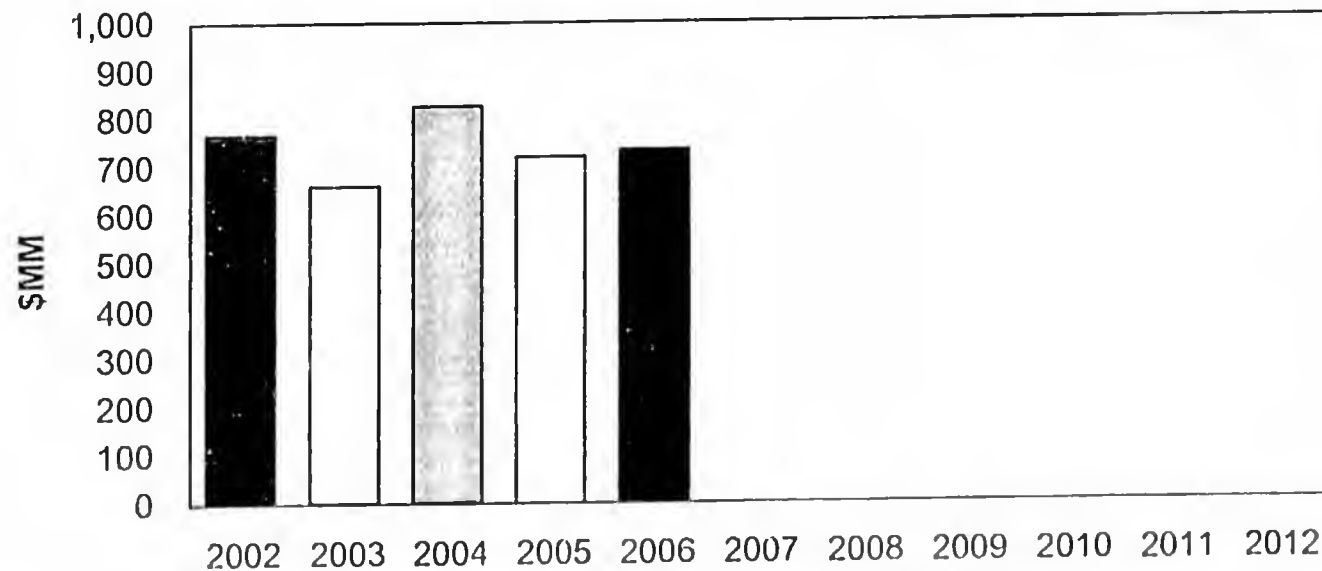


5 Year Prudhoe Drilling Program

- BP noted that for every dollar spent on an infill well another two dollars were spent on injection and surface facilities – base case is 300% Capex

CAPEX for Drilling Program

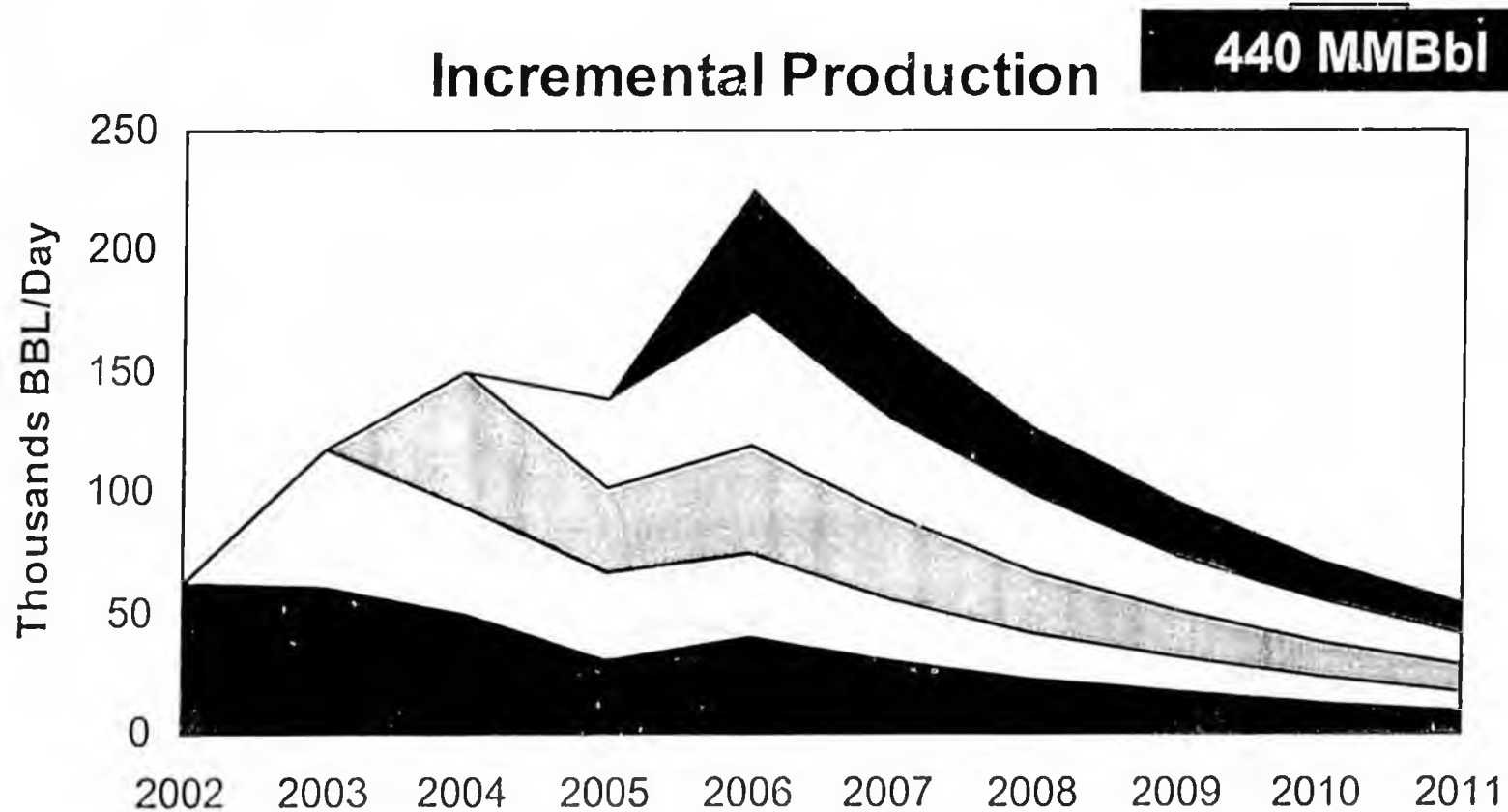
Over \$3.7 Bn





BP – Prudhoe Bay

- Production from infill program as presented by BP

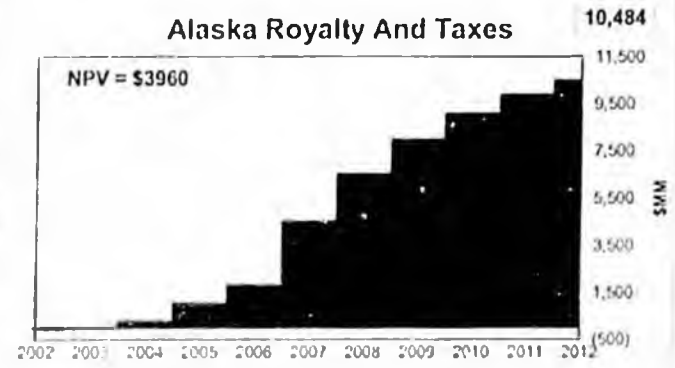
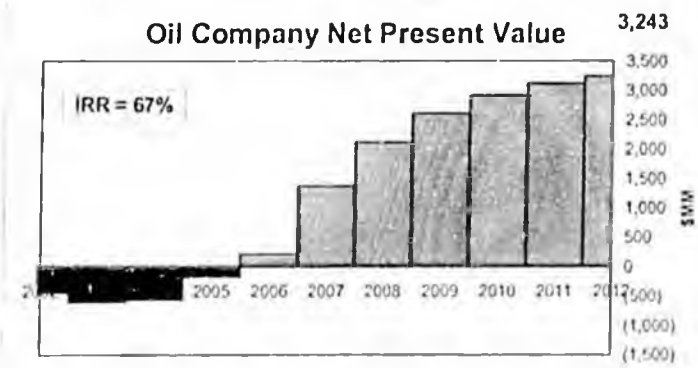
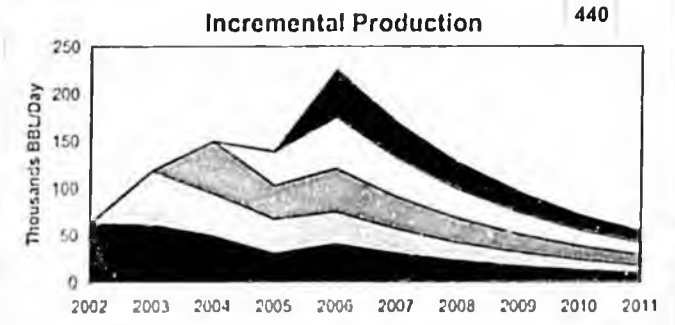
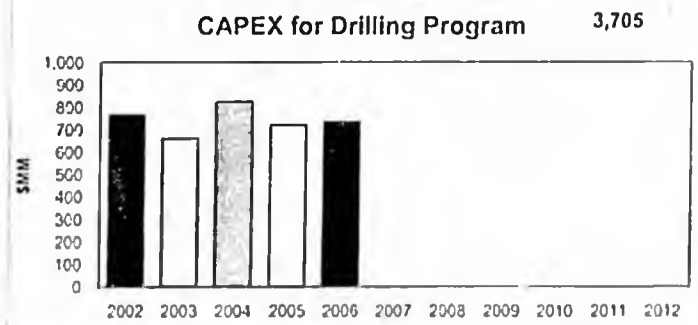




Input Controls

Modeling the Prudhoe Success contained in AOGA/BP Testimony

- Drilling Program Year
 - 2002
 - 2003
 - 2004
 - 2005
 - 2006
- Capex Multiplier 300%
- Opex Multiplier 100%
- Production Multiplier 100%
- Discount Rate 15%
- Royalty 12.5%
- Net Tax Rate 22.5%
- Progressivity 0.25%
- Progressivity Start 40
- Price 80



- Tax Credits from outset
- Actual oil price (but based on PPT) thru 2006, then Fcst



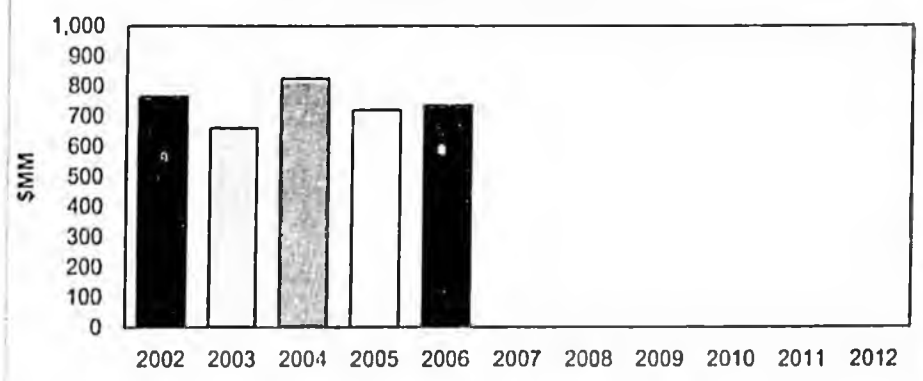
Robust drilling program

- Remains profitable at:
 - 300% capex
 - 200% opex
 - 25% discount rate
 - \$50 ANS
 - High progressivity

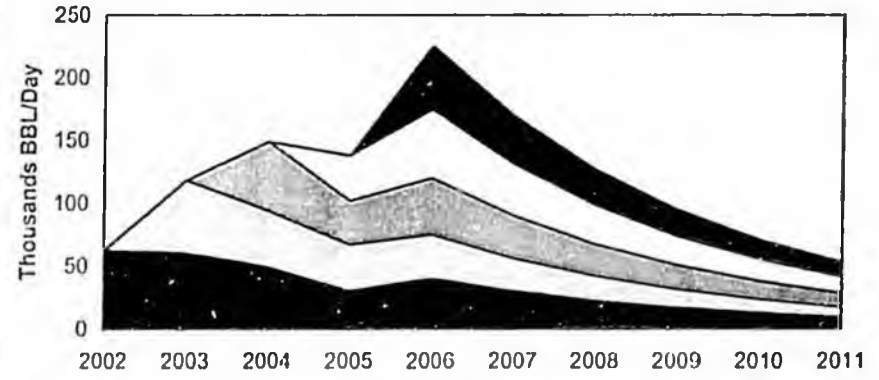


Overly Stressed Case

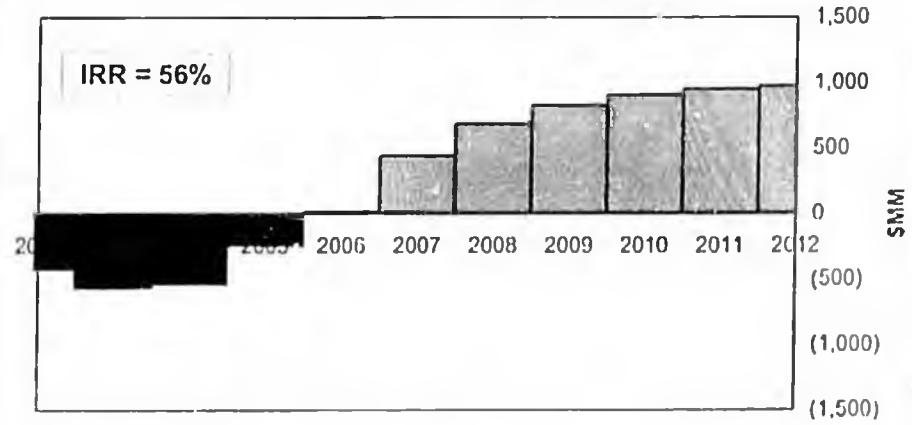
CAPEX for Drilling Program 3,705



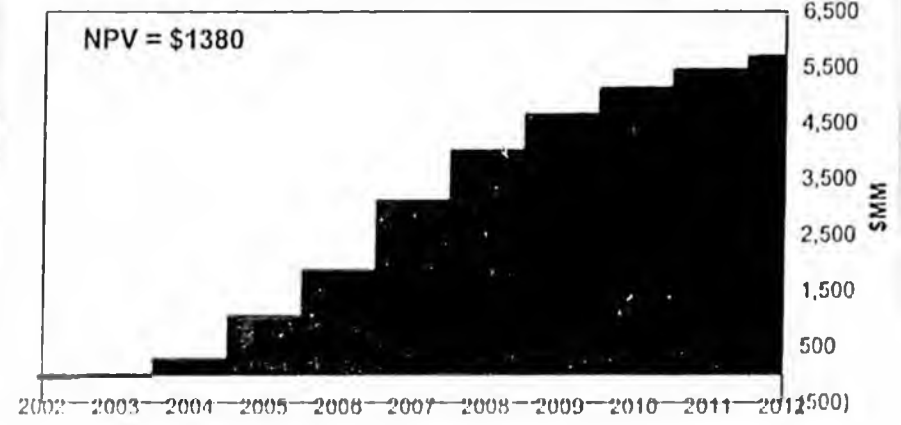
Incremental Production 440



Oil Company Net Present Value 975



Alaska Royalty And Taxes 5,710



Model Demonstration



North Slope Potential

Production Drives Revenue



Decline Rate	15%	6%	3%
Produced Barrels	1.3 bn	3.9 bn	7.5 bn
Industry Investment	\$5 bn	\$25 bn	\$70 bn
		Status quo	

- Built a generic model based on the above barrels and investments
 - Used indicated decline rates
 - 250,000 bpd abandonment rate
(Based on the oil companies' and AOGA presentation of the mechanical limit of 300,000 bpd for TAPS and the above decline rates and produced barrels)

Under PPT



Production Drives Revenue



	15%	6%	3%
Decline Rate	15%	6%	3%
Produced Barrels	1.3 bn	3.9 bn	7.5 bn
Industry Investment	\$5 bn	\$25 bn	\$70 bn
		Status quo	

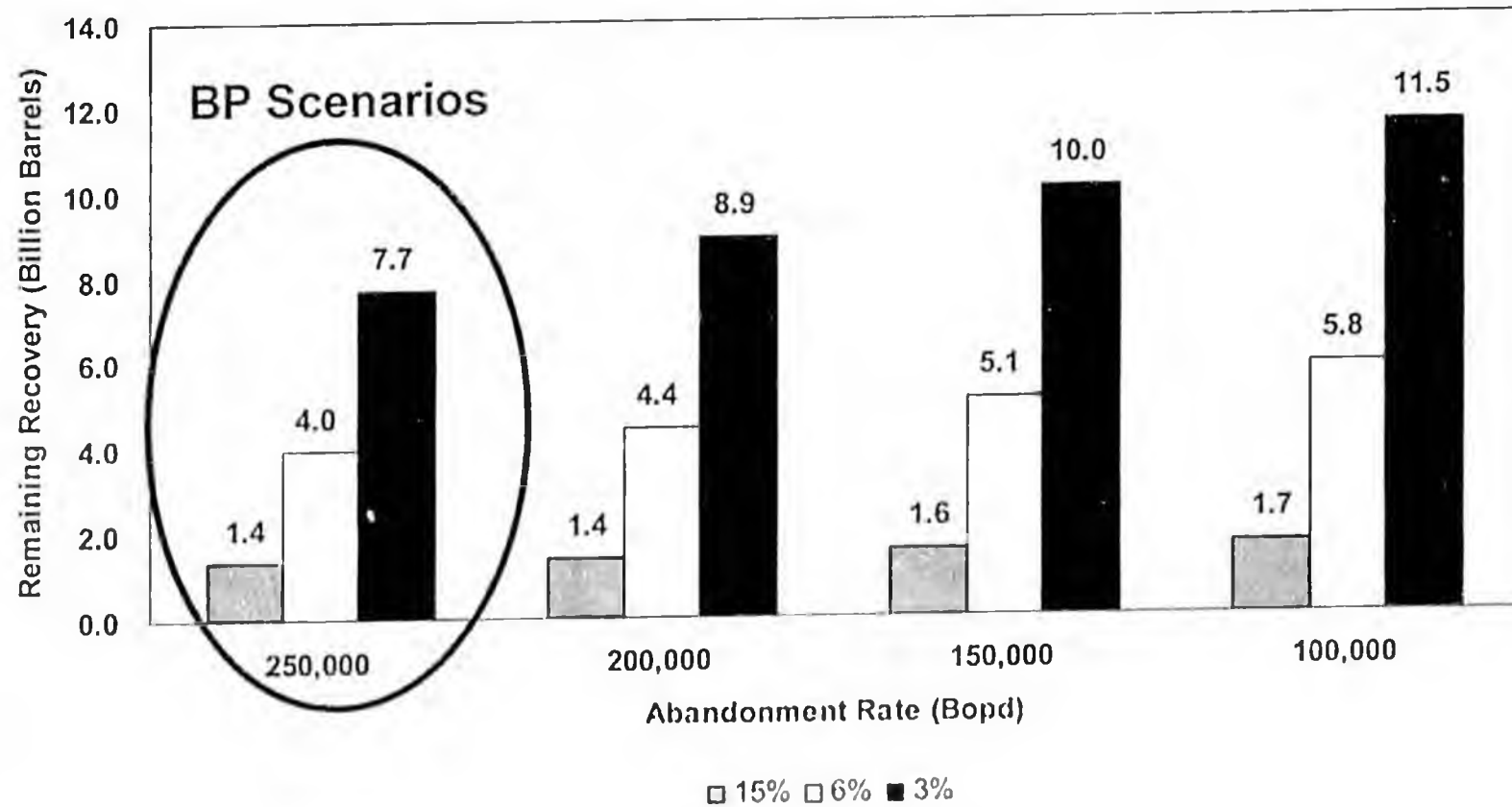
- | | | | |
|-----------------|---------------|---------------|----------------|
| • NPV10 = \$Bn | • \$15 - \$20 | • \$30 - \$40 | • \$35 - \$45 |
| • NPV0 = \$Bn | • \$22 - \$27 | • \$55 - \$75 | • \$90 - \$125 |
| • NPV0 = \$/bbl | • \$15 - \$20 | • \$14 - \$19 | • \$12 - \$17 |

~ \$80/bbl WTI, \$70/bbl NS



Delaying TAPS Abandonment

Impact Of Abandonment Rate On North Slope Recovery



Summary



- Oil Companies must show “reasonable certainty” about future investments and expected production to be able to book oil in the ground as reserves
 - There is pressure in the market place to declare ‘proved reserves’ as soon as feasible -- important to shareholder and analyst growth expectations and stock price
 - If the production volumes associated with the 6% and 3% decline scenarios have already been booked as proved reserves, then to **not** undertake the continuing infill investments would require a significant write down of reserves
- The Prudhoe Bay infill drilling program as presented by AOGA and BP is so profitable that under even the most extreme net tax structure, oil companies should want to continue their reinvestment program.

Backup

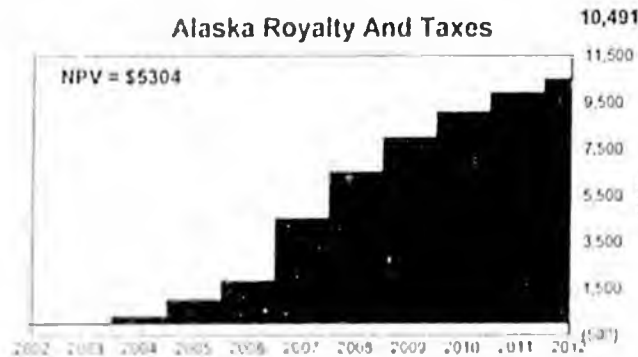
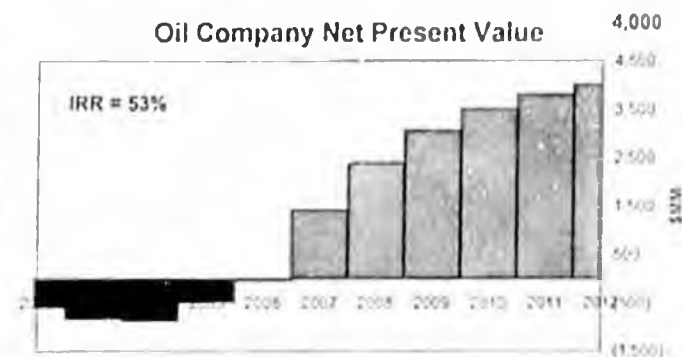
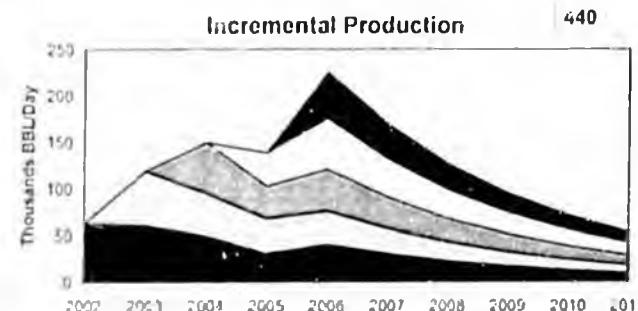
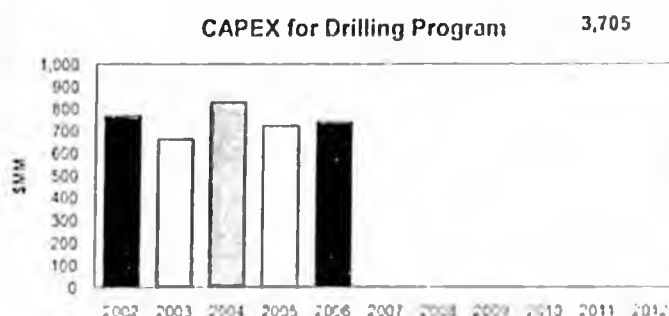
Actual drilling program assuming PPT applies throughout



- Without investment credits pre 2006
- Oil Company IRR = 53%, NPV10 = \$4 billion

Modeling the Prudhoe Success contained in AOGA/BP Testimony

Drilling Program Year	
2002	<input checked="" type="checkbox"/>
2003	<input checked="" type="checkbox"/>
2004	<input checked="" type="checkbox"/>
2005	<input checked="" type="checkbox"/>
2006	<input checked="" type="checkbox"/>
Capex Multiplier	300% <input type="text" value="300"/>
Opex Multiplier	100% <input type="text" value="100"/>
Production Multiplier	100% <input type="text" value="100"/>
Discount Rate	10% <input type="text" value="10"/>
Royalty	12.5% <input type="text" value="12.5"/>
Net Tax Rate	22.5% <input type="text" value="22.5"/>
Progressivity	0.25% <input type="text" value="0.25"/>
Progressivity Start	-40 <input type="text" value="-40"/>
Price	80 <input type="text" value="80"/>



- ▮ No tax credits 2002-2005
- ▮ Actual oil price (but based on PPI) thru 2006, then Fcst

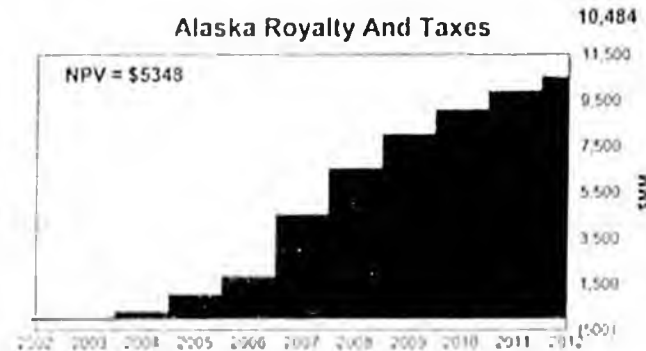
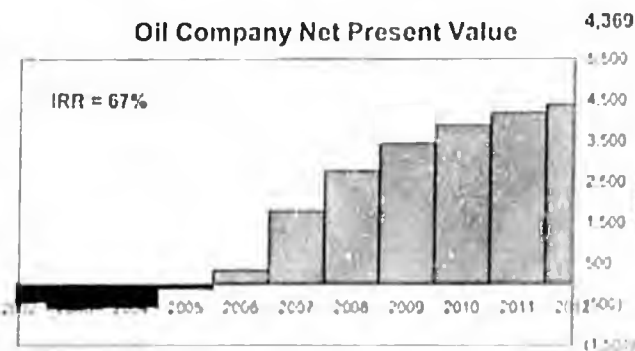
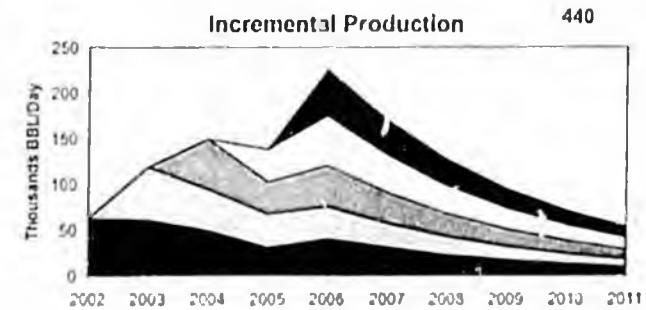
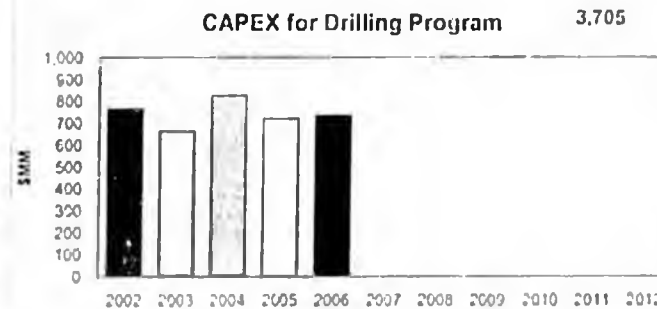


Assuming PPT from 2002 with credits

- With investment credits pre 2006
- Oil Company IRR = 67%, NPV10 = \$4.4 billion

Modeling the Prudhoe Success contained in AOGA/BP Testimony

Drilling Program Year	2002	2003	2004	2005	2006
	████	████	████	████	████
Capex Multiplier	300%	◀▶			
Opex Multiplier	100%	◀▶			
Production Multiplier	100%	◀▶			
Discount Rate	10%	◀▶			
Royalty	12.5%	◀▶			
Net Tax Rate	22.5%	◀▶			
Progressivity	0.25%	◀▶			
Progressivity Start	40	◀▶			
Price	80	◀▶			



Tax Credits from outset

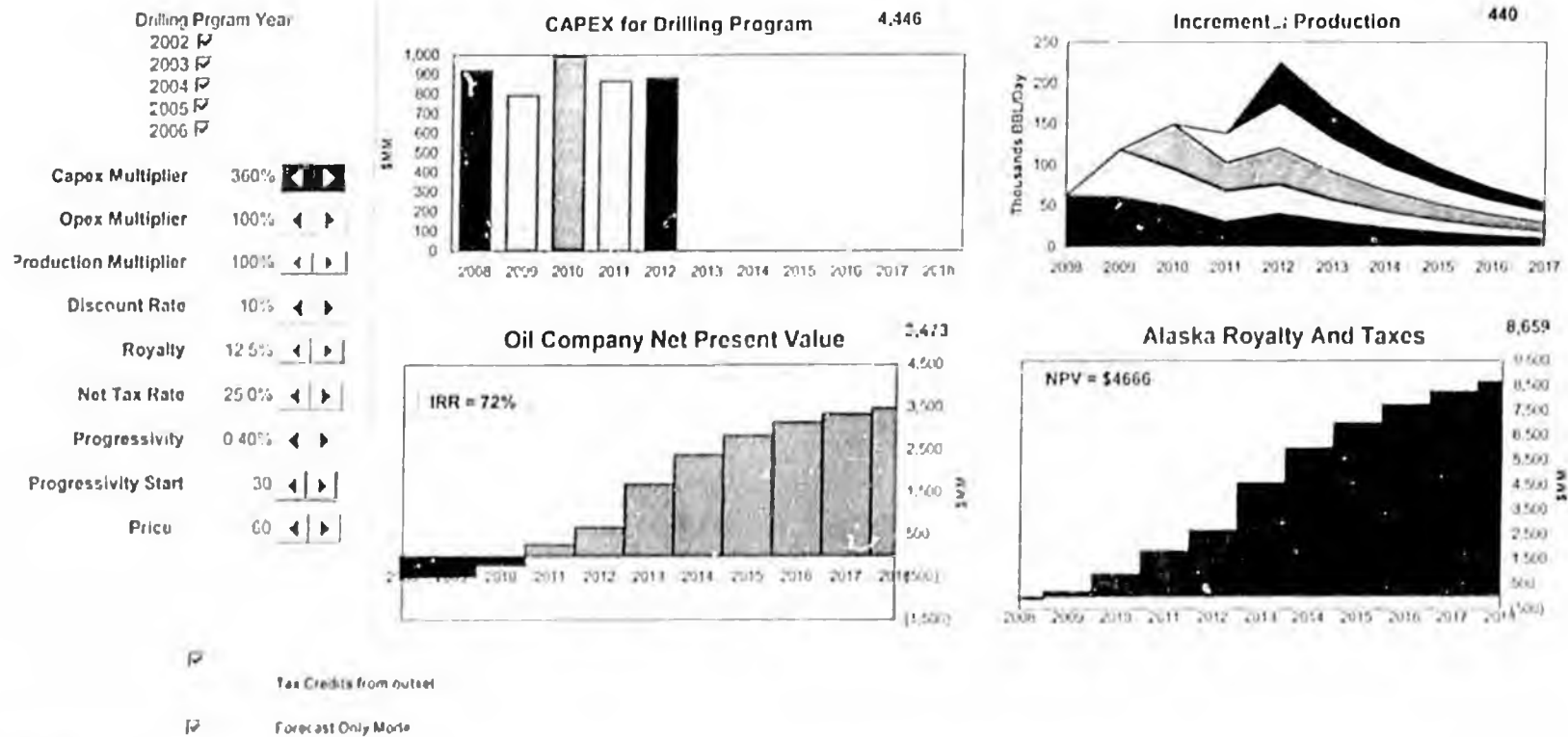
Actual oil price (but based on PPI) thru 2006, then Fcst

Duplicate 2002 – 2006 Program Starting in 2008



- Capex to 360%, \$60 oil, Senate CS, Forecast mode
- Oil Company IRR = 72% and NPV10 = \$3473 MM

Modeling the Prudhoe Success contained in AOGA/BP Testimony





Forecast at the NYMEX strip price

- All things the same, but oil at \$80 per barrel
- Oil Company IRR = 101%, NPV10 = \$4,888 MM

Modeling the Prudhoe Success contained in AOGA/BP Testimony

Drilling Prgram Year

2002

2003

2004

2005

2006

Capex Multiplier 360%

Opex Multiplier 100%

Production Multiplier 100%

Discount Rate 10%

Royalty 12.5%

Net Tax Rate 25.0%

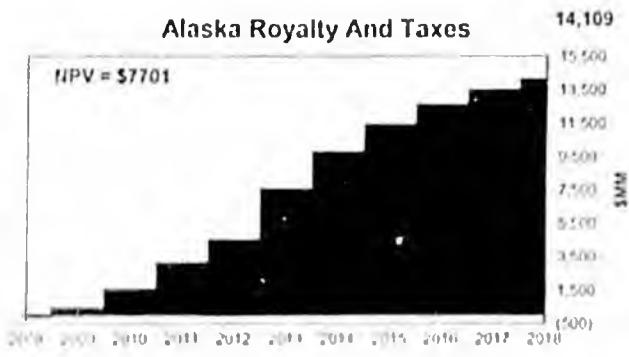
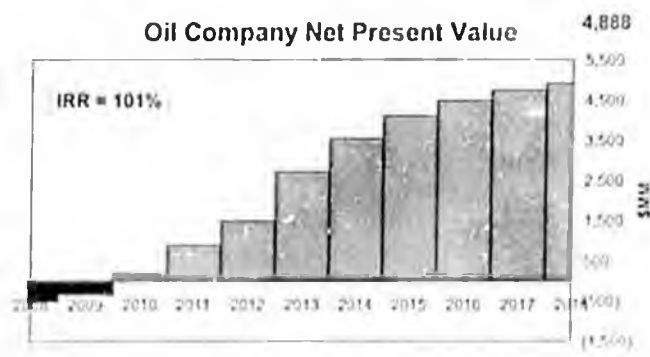
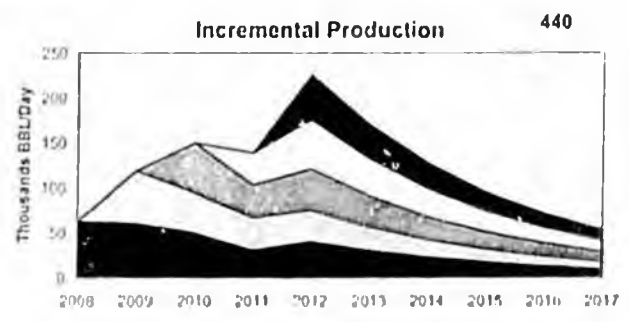
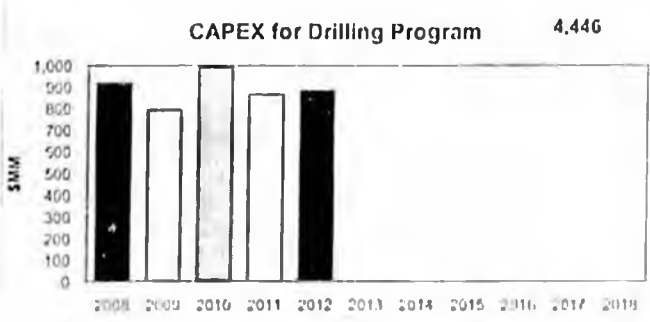
Progressivity 0.40%

Progressivity Start 30

Price 80

Tax Credits from output

Forecast Only Mode



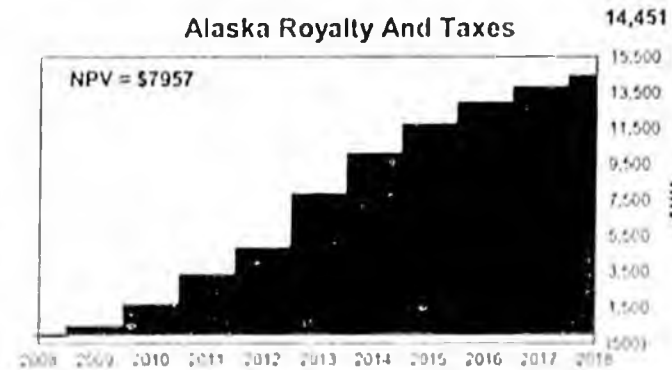
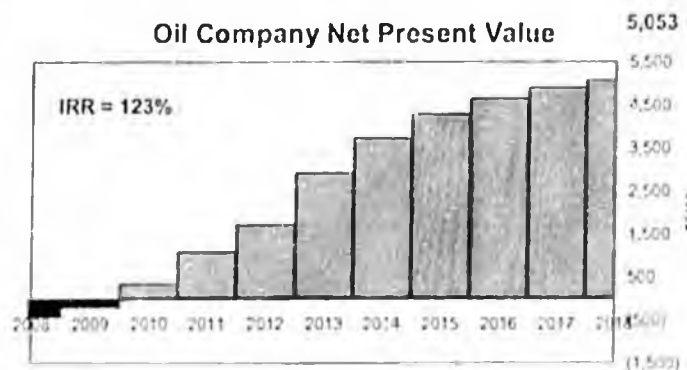
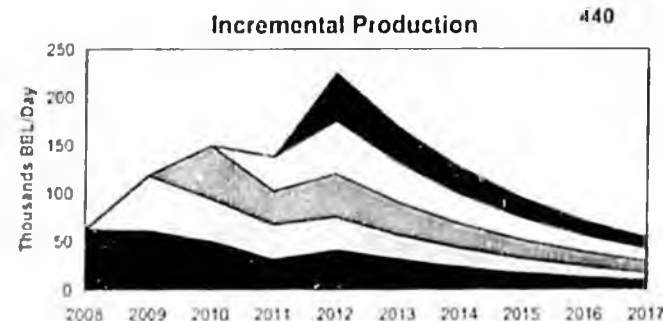
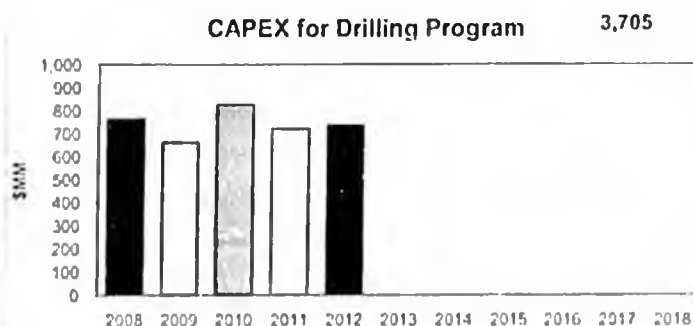


Senate CS – Forecast Mode, \$80 oil

- IRR = 123%, NPV10 = \$5.375 billion

Modeling the Prudhoe Success contained in AOGA/BP Testimony

- Drilling Program Year
- 2002
 - 2003
 - 2004
 - 2005
 - 2006
- Capex Multiplier 300%
- Opex Multiplier 100%
- Production Multiplier 100%
- Discount Rate 10%
- Royalty 12.5%
- Net Tax Rate 25.0%
- Progressivity 0.40%
- Progressivity Start 30
- Price 80



- Tax Credits from outset
- Forecast Only Mode

TAX RATES +

PROGRESSIVITY

11/8/07

Tax Rates and Progressivity

November 8, 2007

Barry Pulliam
Senior Economist
Econ One Research

5th Floor
1101 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
202 835 2226

Suite 100
555 University Avenue
Sacramento, California 95825
916 576 0366

5th Floor
601 W 5th Street
Los Angeles, California 90071
213 624 9600

Suite 2825
Three Allen Center
333 Clay Street
Houston, Texas 77002
713 228 2700

Suite 230
106 E 6th Street
Austin, Texas 78701
512 476 3711



Key Fiscal Terms

Production Taxes Under Current & Proposed Systems

Tax Rate:

$$\begin{aligned} & \text{Base Rate} \\ & + \\ & \text{Progressivity Rate} \\ & = \\ & \text{Total Tax Rate} \end{aligned}$$

Applied to:

Taxable Value

Key Fiscal Terms

Production Taxes Under Current & Proposed Systems

Taxable Value:

- Gross Sales Price (West Coast)
less
- Transportation Costs from Wellhead
=
- Gross Wellhead Value
less
- Operating Costs (All Barrels),
• Capital Costs (All Barrels)
=
- Net Taxable Value

Key Fiscal Terms

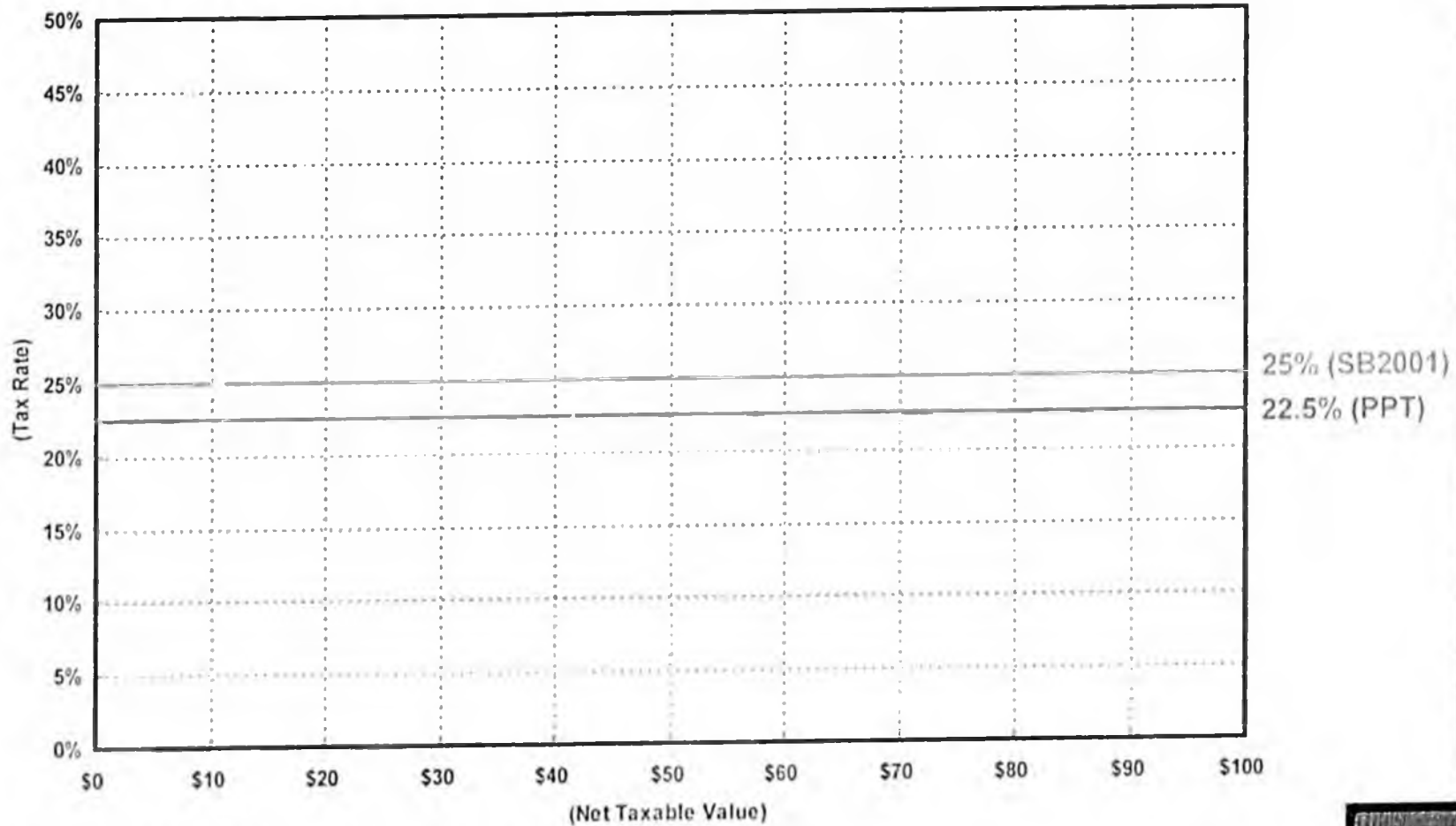
Production Taxes Under Current & Proposed Systems

Other Items:

- Floor
- Capital Credits
- TIE Credits
- Small Producer Credits
- Exploration Credits (EIC)

Base Tax Rate

- Applied to Taxable Value at All Price Levels



- It Does Not Vary with Prices

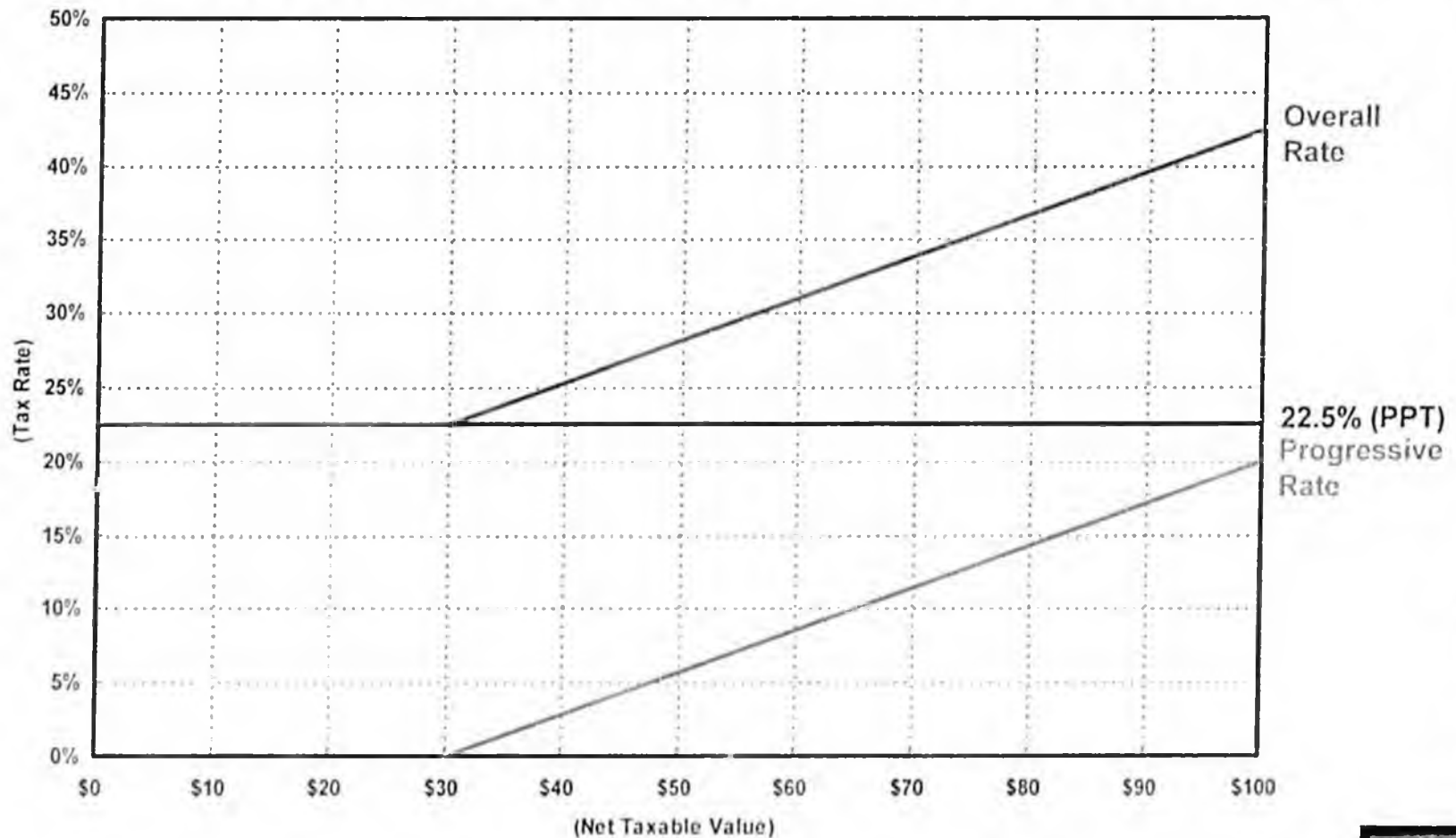


Progressive Tax

	<u>PPT</u>	<u>SB2001</u>
• Trigger Level	\$40(Net)	\$30(Net)
• Slope	0.25% per Dollar	0.20% per Dollar
• Gross or Net Value	Net	Net

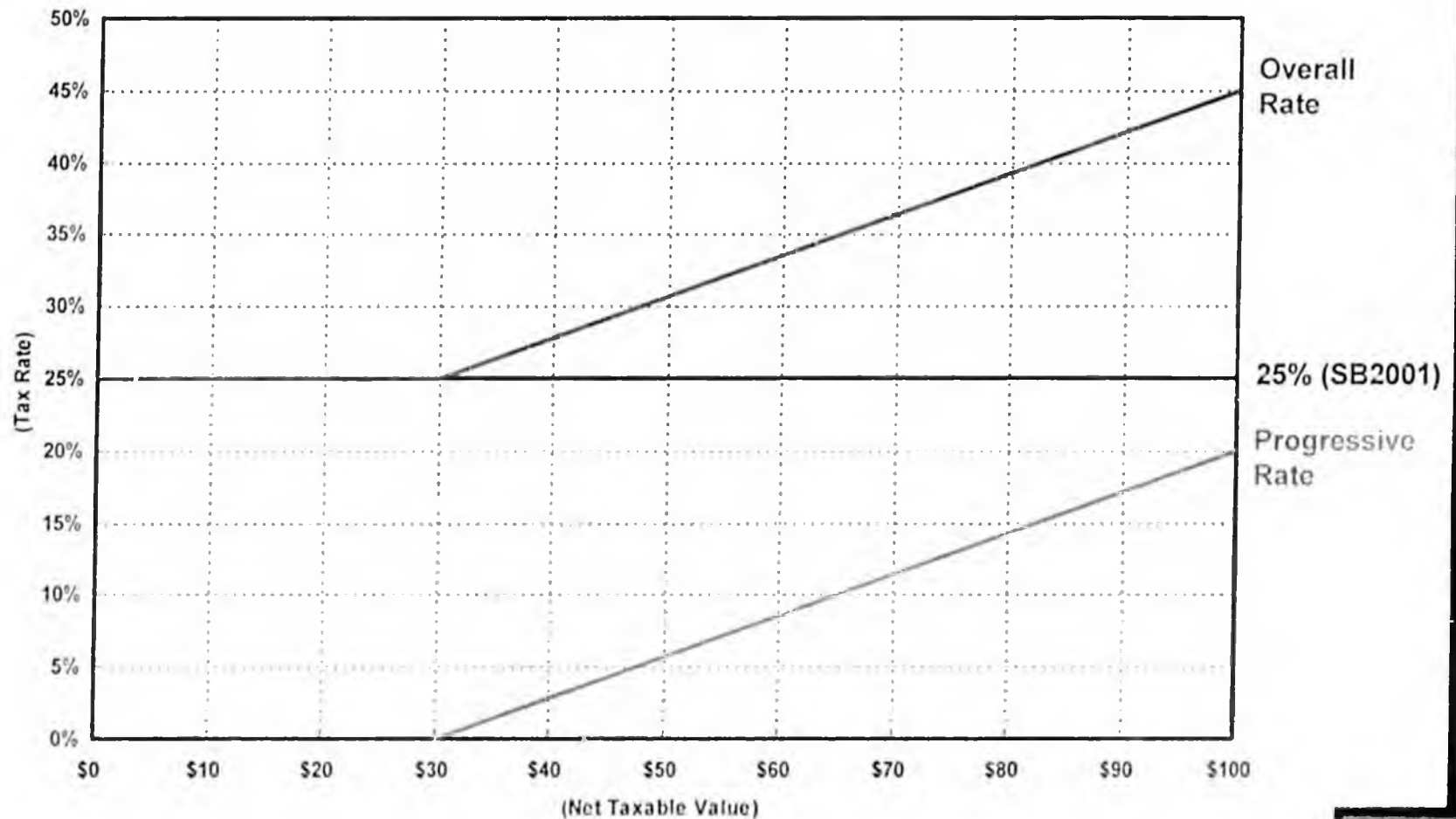
Progressive Tax

• Example of Progressive Tax Under Current & Proposed Systems



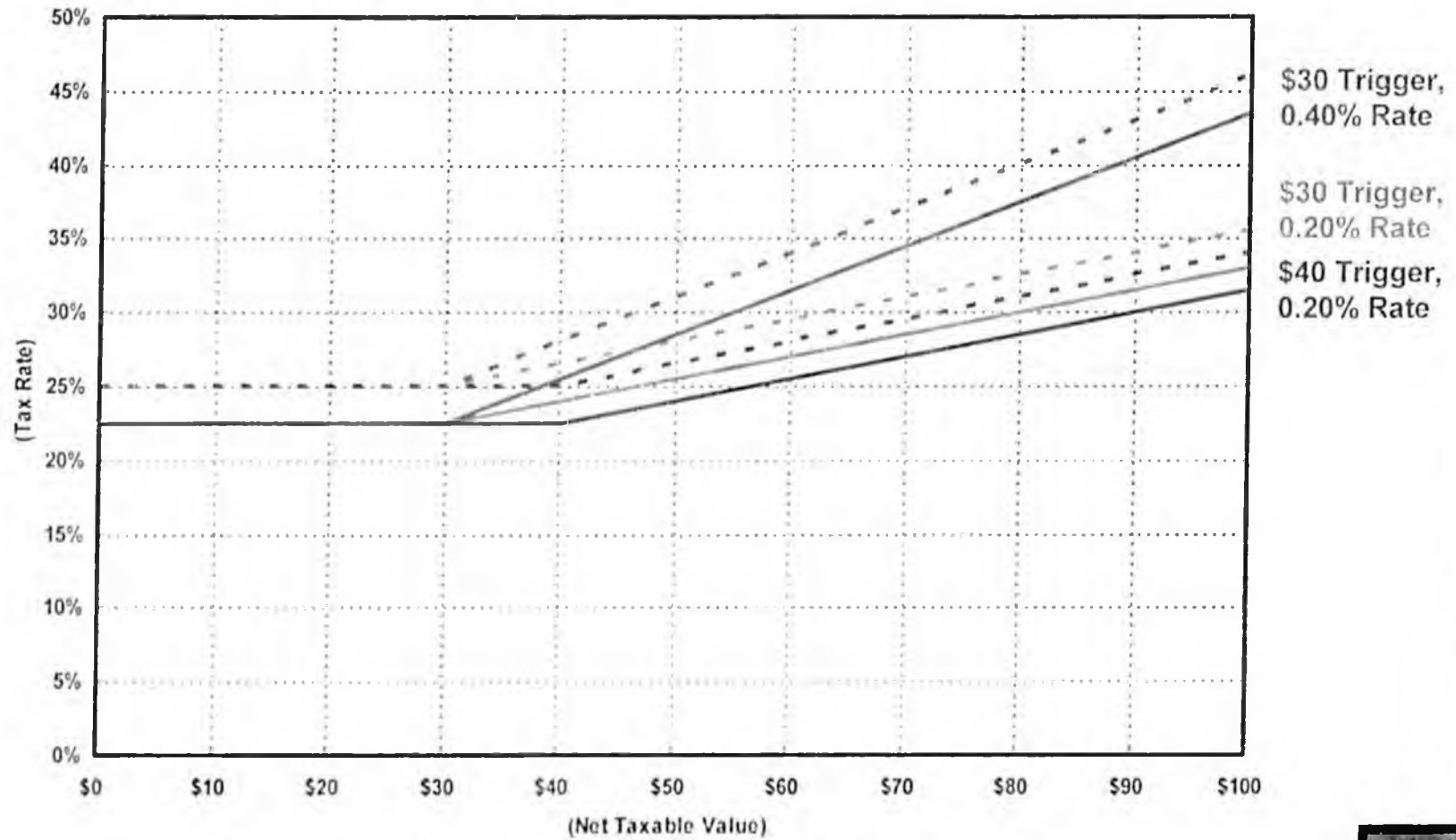
Progressive Tax

- Example of Progressive Tax Under Current & Proposed Systems

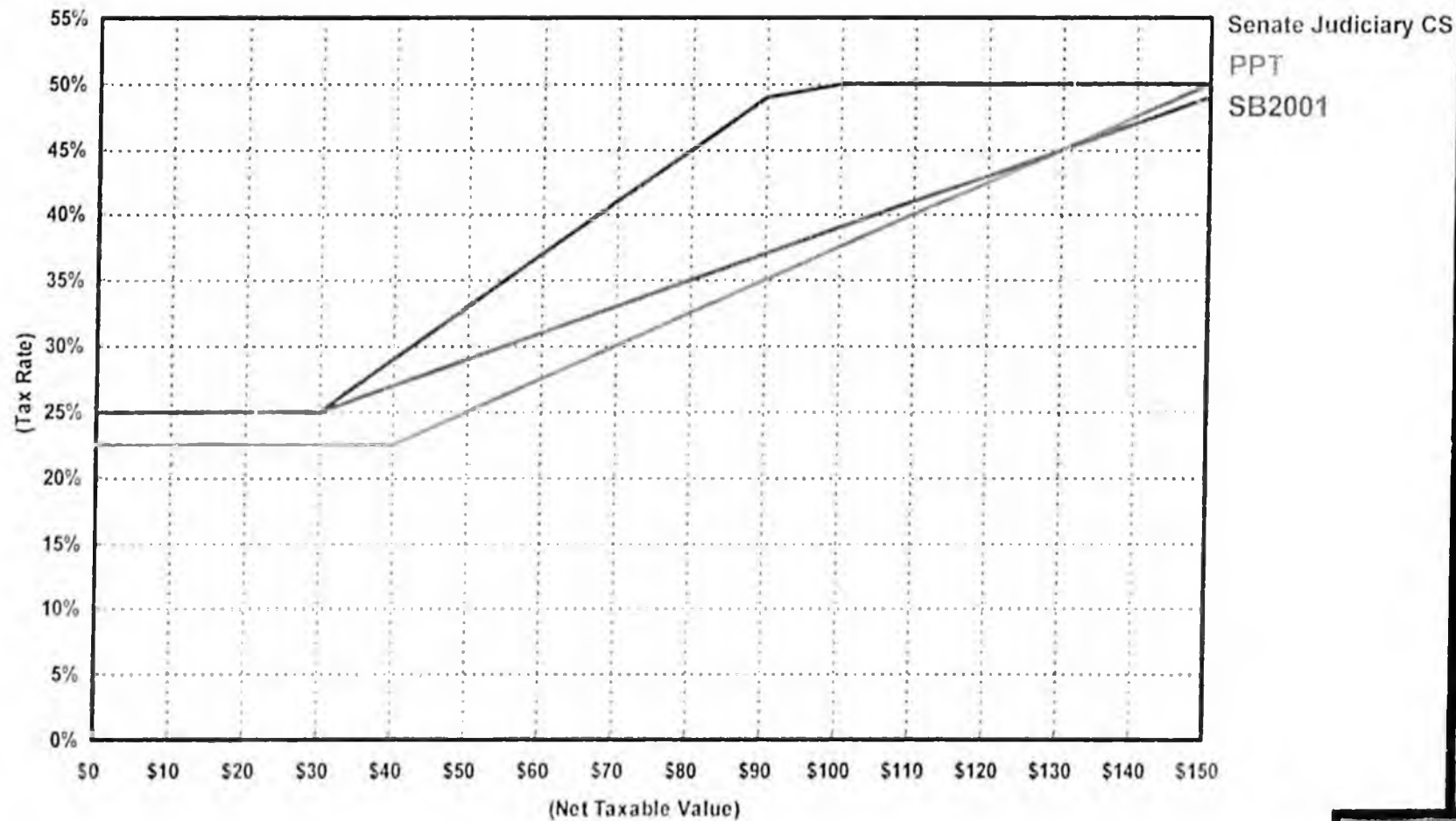


Progressive Tax & Impact on Overall Tax Rate

• At 22.5% and 25% Tax Rates



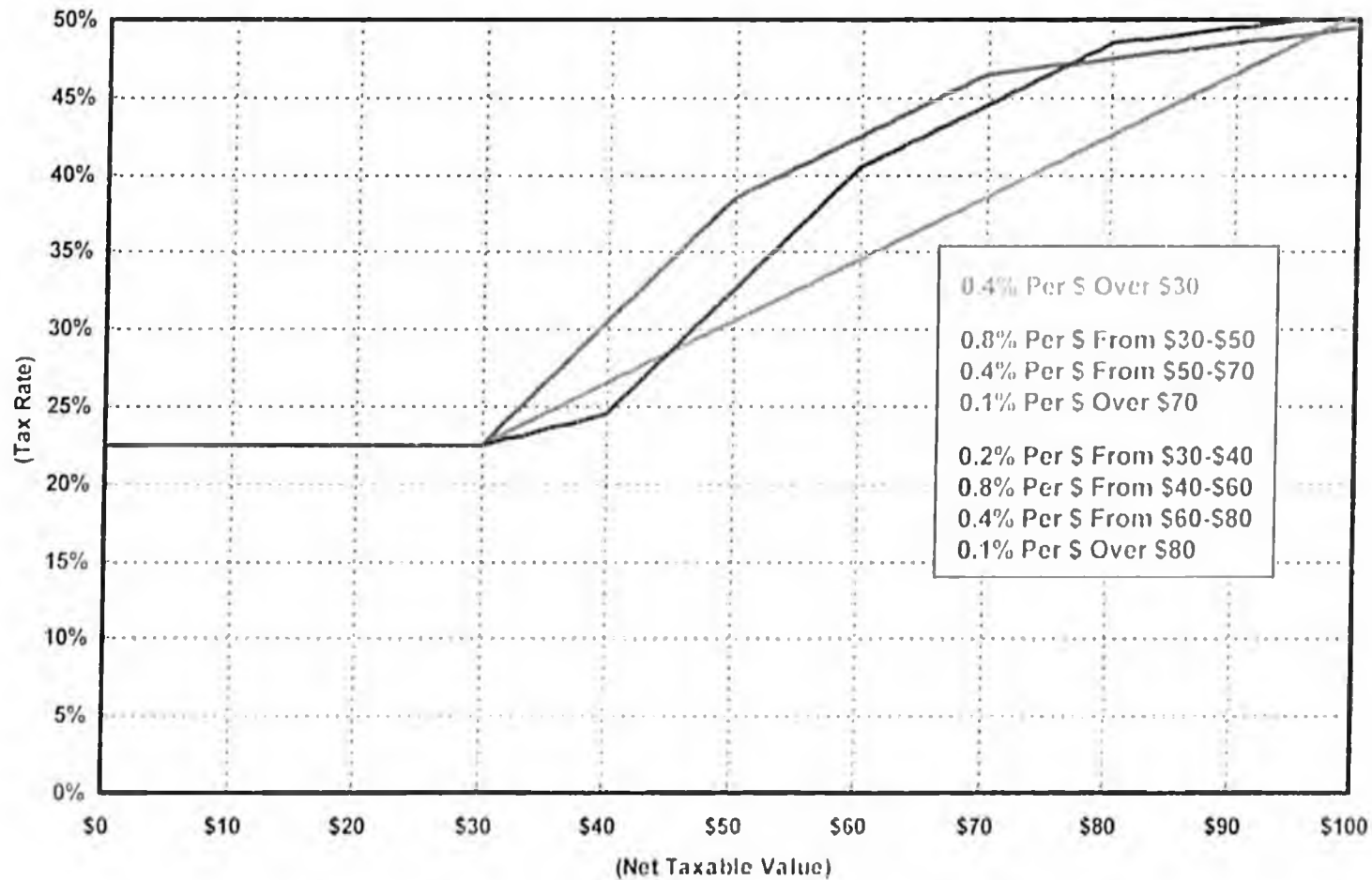
Overall Tax Rates: PPT, SB2001 and Senate Judiciary CS



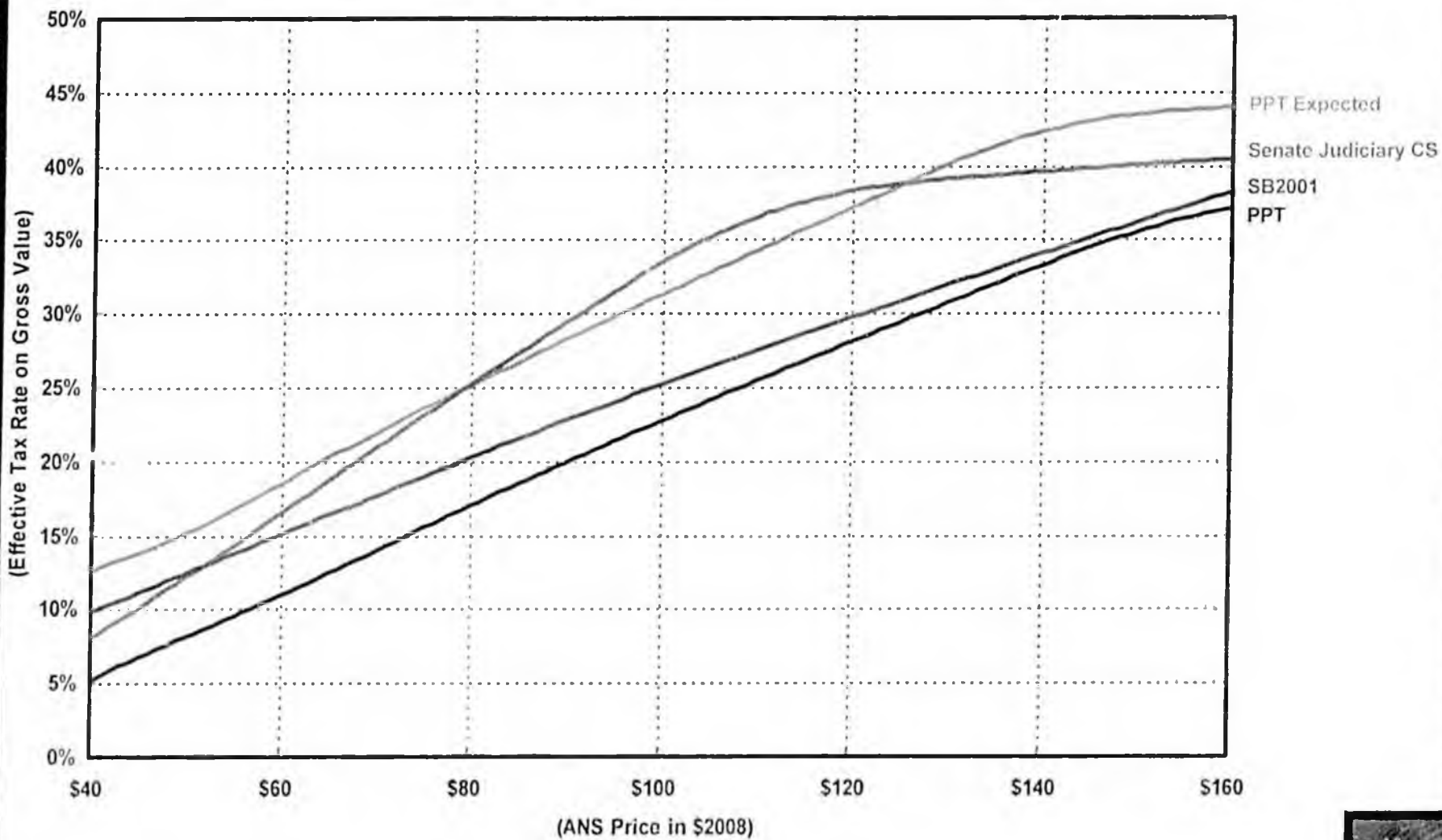
econ
ONE

Progressive Tax & Impact on Overall Tax Rate

- Assume a 22.5% Tax Rate



Estimated Average Effective Tax Rate on Gross Taxable Value at Various West Coast ANS Price Levels (FY 2008-2014)



Note: Volumes per DOR's Fiscal Note to HB 2001 (as of November 7, 2007).

PPT Expected: PPT using costs per Fiscal Note to HB 2001.

Senate Judiciary: SB2001 using 0.4% progressivity rate, 50% overall cap. TIE credit 2006-2007 for new producers, does not include TAPS adjustment.

econ
ONE

Estimated Average Effective Tax Rate, Government Shares and Revenue Impacts at Various West Coast ANS Price Levels (FY 2008-2014)

Average ANS West Coast Price in Real 2008 Dollars:	\$40.00	\$60.00	\$80.00	\$100.00	\$120.00	\$140.00	\$160.00
Effective Tax Rate on Gross Taxable Value (Percent)							
PPT	5.1%	10.9%	17.0%	22.7%	28.1%	33.2%	37.2%
SB2001	9.9%	15.1%	20.3%	25.2%	29.7%	34.1%	38.2%
Senate Judiciary CS	7.9%	16.1%	24.7%	32.8%	37.5%	39.1%	40.2%
PPT (Expected)	12.6%	18.5%	25.2%	31.3%	37.2%	42.3%	43.9%
Total Government Share of Net Cash (Percent)							
PPT	60.5%	60.6%	62.7%	65.3%	67.8%	70.4%	72.2%
SB2001	64.5%	63.5%	64.9%	66.8%	68.8%	70.9%	72.9%
Senate Judiciary CS	62.9%	64.2%	67.8%	71.6%	73.6%	73.8%	74.0%
PPT (Expected)	60.4%	61.7%	64.4%	67.1%	69.9%	72.3%	72.9%
Marginal Government Share of Net Cash (Percent)							
PPT	58.9%	63.7%	70.7%	75.9%	81.0%	86.2%	78.9%
SB2001	59.7%	65.4%	70.7%	75.1%	79.3%	83.5%	84.9%
Senate Judiciary CS	60.7%	71.5%	79.8%	85.6%	77.2%	74.9%	74.9%
PPT (Expected)	60.2%	68.3%	73.9%	79.4%	85.0%	81.0%	73.0%
Annual Average Tax Difference Above/(Below) PPT (Nominal \$M)							
SB2001	\$423	\$587	\$635	\$608	\$493	\$287	\$423
Senate Judiciary CS	\$251	\$726	\$1,476	\$2,454	\$2,702	\$2,002	\$1,190
PPT (Expected)	\$665	\$1,067	\$1,566	\$2,088	\$2,682	\$3,132	\$2,688

Note: Volumes per DOR's Fiscal Note to HB 2001 (as of November 7, 2007).

PPT Expected: PPT using costs per Fiscal Note to HB 2001.

Senate Judiciary: SB2001 using 0.4% progressivity rate, 50% overall cap. TIE credit 2006-2007 for new producers, does not include TAPS adjustment.

econ
ONE

Tax Floor Issues

PPT (Current Law)

1-4% of Gross
Wellhead Value
(\$15 - \$25 WC ANS)

SB2001 (Proposed)

10% of Gross
Wellhead Value
(Prudhoe & Kuparuk)

Senate Judiciary CS

Same as
Current Law

- Presence of Higher Floor Introduces Regressivity at Lower Prices
- Is Like an Insurance Policy. What Does it Cost?
- What are State's Expectations as to ANS Prices?

AK CURRENT

PRODUCTION

TAX

11/6/07

PPT: Sec 43.55-011(e)		
PPT Base Tax Rate	22.5%	
PPT Gross Tax		(2,388,970,131)

Progressivity: Sec 43.55-011(e) & (h)		
Trigger (net)	40.00	
Rate per Price Index Dollar	0.25%	
Per Barrel Production Tax Value	46.05	
Per Barrel Production Tax Value Less Trigger (Price Index)	6.05	
Resulting Progressive Rate	1.51%	
Progressivity Surcharge		(160,480,575)
PPT + Progressivity		(2,549,450,706)

Pre-Credit Adjusted Revenue \$ 8,068,194,319.04

\$0.30 Barrel Exclusion (Sec 43.55-165(e)(1)(B))		
Capital Cost Available for Capital Credits Exclusion	0.30	(2,206,176,625)
Capital Cost Less \$0.30 Exclusion		(2,137,000,000)

Credits: Sec 43.55-021		
Capital (023a) [20%]	20.0%	(127,400,000)
NOI (023b)		-
Transitional Investment Expenditures [TI] (023i)	Fixed Estimated Costs	(213,700,000)
Small Producer (024) [\$12mm]		(48,000,000)
Exploration (025)		(50,000,000)

Net Revenue to State, Producers & Fed

State Property Tax (BSD Spring07, Page 29)	0.2% adjusted up for Borough claim	261,000,000	
State Corporate Income Tax (BSD Spring07, Page 29)	9.4%	821,383,063	
Royalties (Gross of Restrictd)		2,138,545,950	
Federal Income Tax			(3,058,341,193)
Total Revenue (Take)		5,100,456,344	3,058,341,193

State	Producers	Fed.
2,388,970,131	(2,388,970,131)	
160,480,575	(160,480,575)	
69,176,625	(69,176,625)	
(427,400,000)	427,400,000	
(213,700,000)	213,700,000	
(48,000,000)	48,000,000	
(50,000,000)	50,000,000	
1,579,827,331	8,738,117,694	
261,000,000	(261,000,000)	
821,383,063	(821,383,063)	
2,138,545,950		
5,100,456,344	4,597,393,438	3,058,341,193
39.98%	36.04%	23.98%

Take Percentages

	Dollar	Percentage
State Take	5,100,456,344	39.98%
Producer Take	4,597,393,438	36.04%
Federal Gov. Take	3,058,341,193	23.98%
	12,756,190,975	100.00%

Total Government Take 63.96%

GOVERNMENT
TAKE
(AMENDED)

11/6/07

Senate Finance

November 5, 2007

Senate Finance

November 5, 2007



Topics

- Oil's importance to overall Alaska State revenue
- Producer Economics
 - PPT
 - Senate CS
- Government Take
 - Alaska and Federal
 - Under PPT and Senate CS

Sources Of Alaska Government Revenue From Petroleum

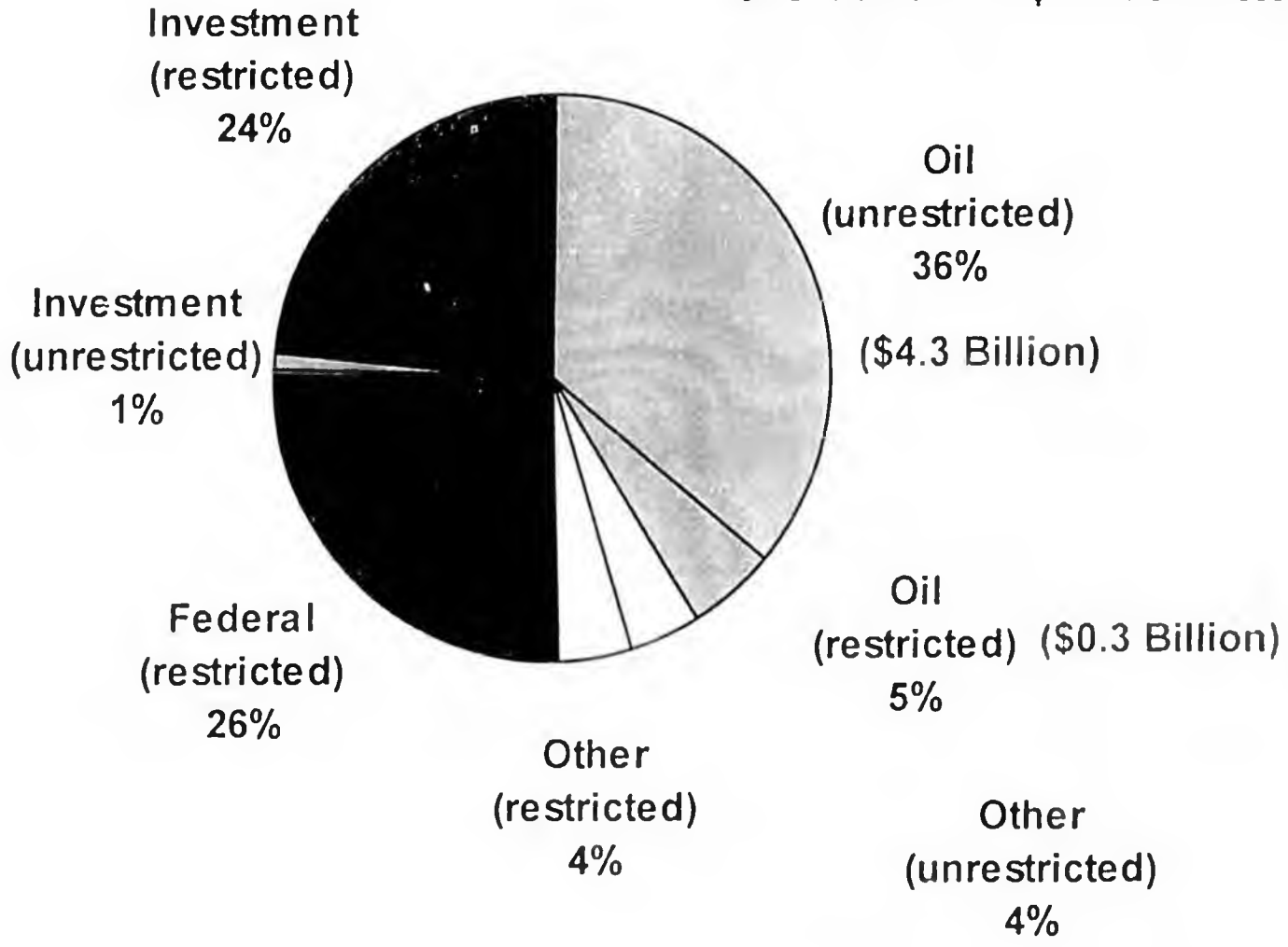


- **Royalty**
 - Based on the gross value at the “point of production”
 - Rate established in lease contract
- **Property Tax**
 - Based on adjusted (for inflation) depreciated investment costs and remaining useful life
- **Production Tax**
 - Based on company’s net cash flow per barrel of production after costs and reinvestment
- **State Income Tax**
 - After deduction of allowed costs, including Royalties, Property Tax and Production Tax based on apportioned worldwide income



Total State Revenues

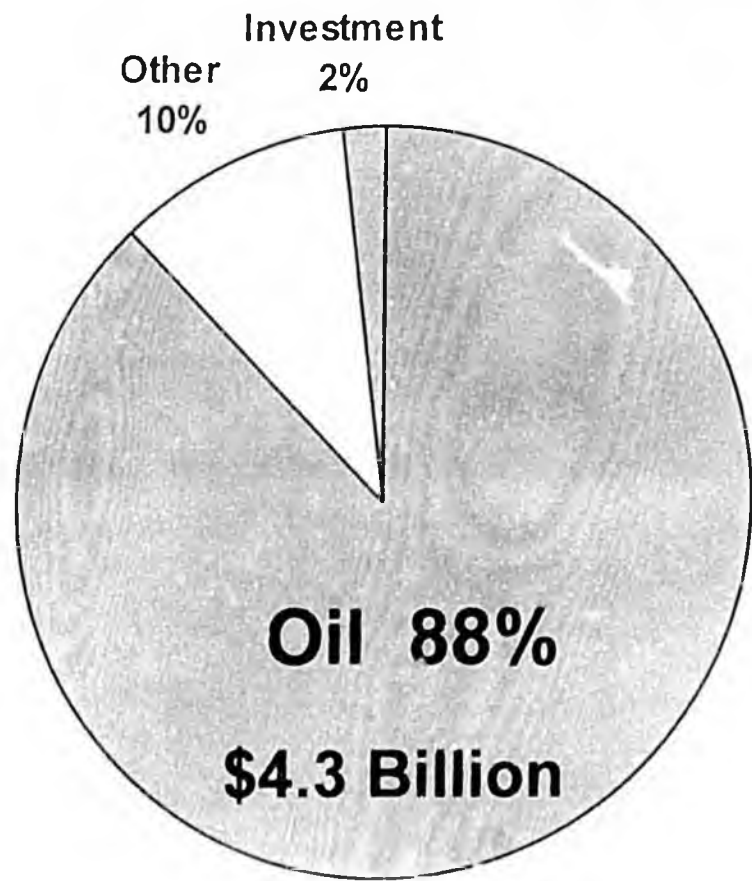
FY 2007 - \$11.9 Billion





General Fund Unrestricted Revenues

FY 2007 - \$4.9 Billion



Producer Share Of Revenues

FY 2009

FY 2009

Producer Revenues Under PPT



	FY 2009		
	\$ MM	%	\$/Bbl
Sales Revenue	18,125	100%	66.30
<i>less</i> Shipping	470	3%	1.72
TAPS	673	4%	2.46
Royalty	2,075	11%	7.59
Gross Value At PoP	14,907	82%	54.53
Capex	2,029	11%	7.42
Opex	2,063	11%	7.55
Property Tax	312	2%	1.14
Net Value At PoP	10,503	58%	38.42
<i>less</i> Production Tax	1,693	9%	6.19
<i>Detail</i> Base Production Tax	2,285	13%	8.36
Progressivity	115	1%	0.42
Small Prod Credit	(48)	0%	(0.18)
EIC	(50)	0%	(0.18)
Capital Credit	(406)	-2%	(1.49)
TIE Credit	(203)	-1%	(0.74)
Pre-CIT Revenue	8,810	49%	32.23
<i>less</i> State Income Tax	763	4%	2.79
Federal Income Tax	2,574	14%	9.42
Producer Income	5,473	30%	20.02

TAPS cost shown is actual cost. However, deduction allowed for PPT is approximately \$5/Bbl

Assumes 749,000 Bopd at official forecast \$66.30/bbl ANS West Coast

FY 2009

Producer Revenues Under Senate CS



	FY 2009		
	\$ MM	%	\$/Bbl
Sales Revenue	18,125	100%	66.30
<i>less</i> Shipping	470	3%	1.72
TAPS	673	4%	2.46
Royalty	2,075	11%	7.59
Gross Value At PoP	14,907	82%	54.53
Capex	2,029	11%	7.42
Opex	2,063	11%	7.55
Property Tax	312	2%	1.14
Net Value At PoP	10,503	58%	38.42
<i>less</i> Production Tax	2,778	15%	10.16
<i>Detail</i> Base Production Tax	2,628	14%	9.61
Progressivity	654	4%	2.39
Small Prod Credit	(48)	0%	(0.18)
EIC	(50)	0%	(0.18)
Capital Credit	(406)	-2%	(1.49)
TIE Credit	0	0%	0.00
Pre-CIT Revenue	7,725	43%	28.26
<i>less</i> State Income Tax	700	4%	2.56
Federal Income Tax	2,361	13%	8.64
Producer Income	4,664	26%	17.06

Assumes 749,000 Bopd at official forecast \$66.30/bbl ANS West Coast

FY 2009 Producer Income PPT Compared To Senate CS



	FY 2009, \$MM		
	PPT	Senate	Diff
Sales Revenue	18,125	18,125	0
<i>less</i> Shipping	470	470	0
TAPS	673	673	0
Royalty	2,075	2,075	0
Gross Value At PoP	14,907	14,907	0
Capex	2,029	2,029	0
Opex	2,063	2,063	0
Property Tax	312	312	0
Net Value At PoP	10,503	10,503	0
<i>less</i> Production Tax	1,693	2,778	1,085
<i>Detail</i> Base Production Tax	2,285	2,628	343
Progressivity	115	654	539
Small Prod Credit	(48)	(48)	0
EIC	(50)	(50)	0
Capital Credit	(405)	(406)	0
TIE Credit	(203)	0	203
Pre-CIT Revenue	8,810	7,725	(1,085)
<i>less</i> State Income Tax	763	700	(63)
Federal Income Tax	2,574	2,361	(213)
Producer Income	5,473	4,664	(809)

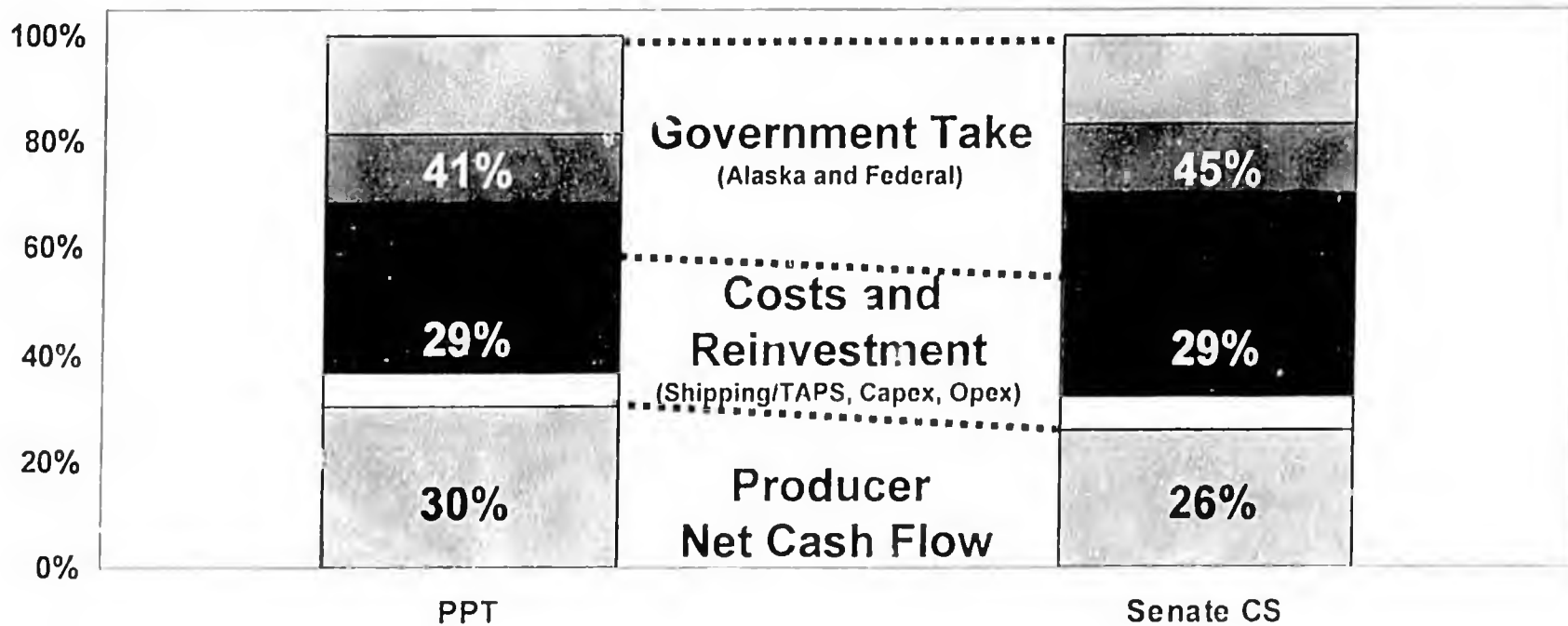
Assumes 749,000 Bopd at official forecast \$66.30/bbl ANS West Coast

FY 2009

Sharing Of Sales Revenue



Comparison Of PPT and Senate Judiciary CS



Producer Take
 Shipping & TAPS
 Costs
 Prod Tax
 Royalty & Property Tax
 Income Taxes

Assumes 749,000 Bopd at official forecast \$66.30/bbl ANS West Coast

Government Share Of Revenues

FY 2009

FY 2009

Government and Alaska Share



PPT

	FY 2009		
	\$ MM	%	\$/Bbl
Net Cash Flow	12,890		47.15
Producer share	5,473	42%	20.02
Government Take	7,417	58%	27.13
Federal Income Tax	2,574	20%	9.42
Royalty	2,075	16%	7.59
Production Tax	312	2%	1.14
Petroleum Tax	1,693	13%	6.19
State Income Tax	763	6%	2.79
Alaska State Take	4,843	38%	17.71

Assumes 749,000 Bopd at official forecast \$66.30/bbl ANS West Coast

FY 2009

Government and Alaska Share



Senate Judiciary CS

	FY 2009		
	\$ MM	%	\$/Bbl
Net Cash Flow	12,890		47.15
Producer share	4,664	36%	17.06
Government Take	8,226	64%	30.09
Federal Income Tax	2,361	18%	8.64
Royalty	2,075	16%	7.59
Property Tax	312	2%	1.14
Production Tax	2,778	22%	10.16
State Income Tax	700	5%	2.56
Alaska State Take	5,865	45%	21.45

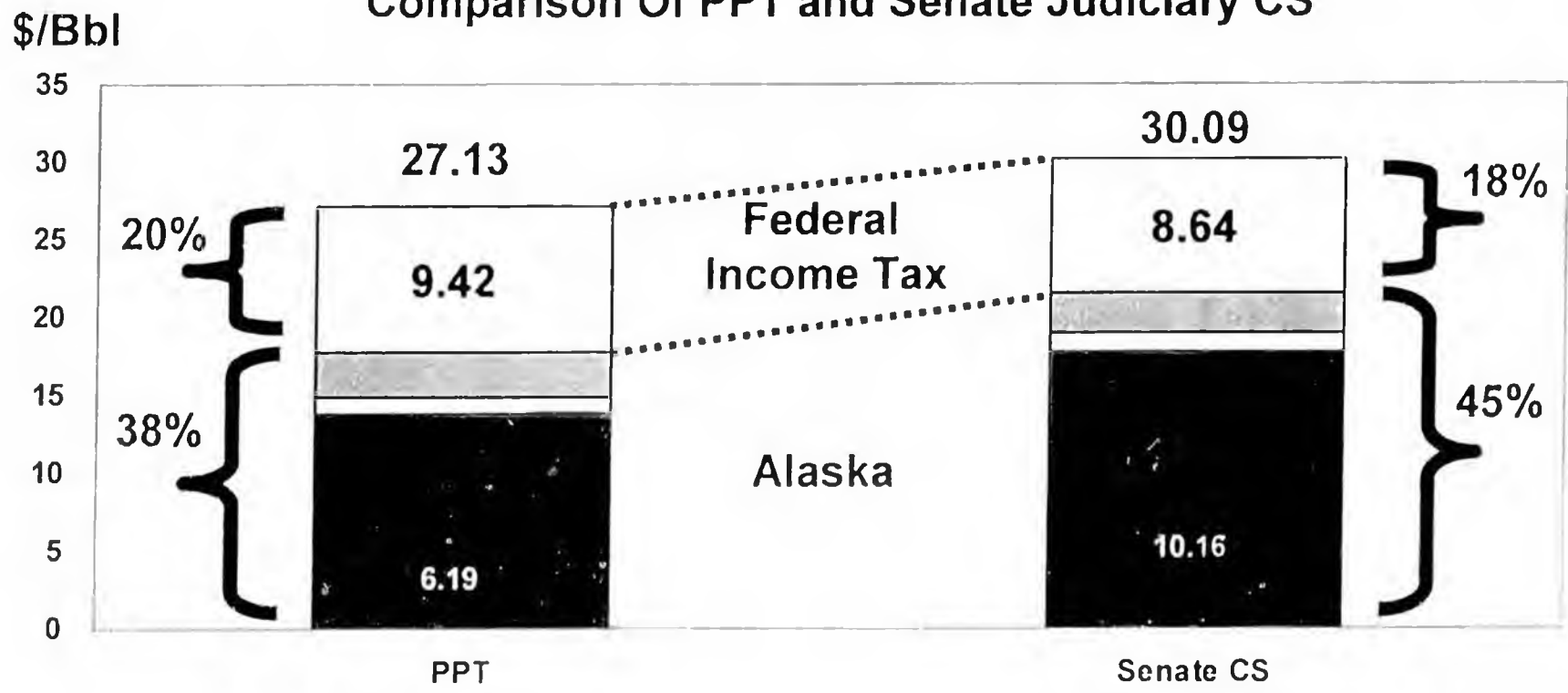
Assumes 749,000 Bopd at official forecast \$66.30/bbl ANS West Coast

FY 2009

Government and Alaska Share



Comparison Of PPT and Senate Judiciary CS



■ Production Tax ■ Royalty □ Property Tax □ State Income Tax □ Federal Income Tax

Assumes 749,000 Bopd at official forecast \$66.30/bbl ANS West Coast

FY 2009

Change In Production Tax



		FY 09	
	\$ MM	%	\$/Bbl
Prod Tax under PPT	1,693	100%	6.19
Base	285	17%	1.04
Progressivity	439	26%	1.61
TIE Credit	203	12%	0.74
TAPS tariff	158	9%	0.58
Prod Tax under Senate	2,778	164%	10.16

TAPS tariff impact reflected in both
Base and Progressivity

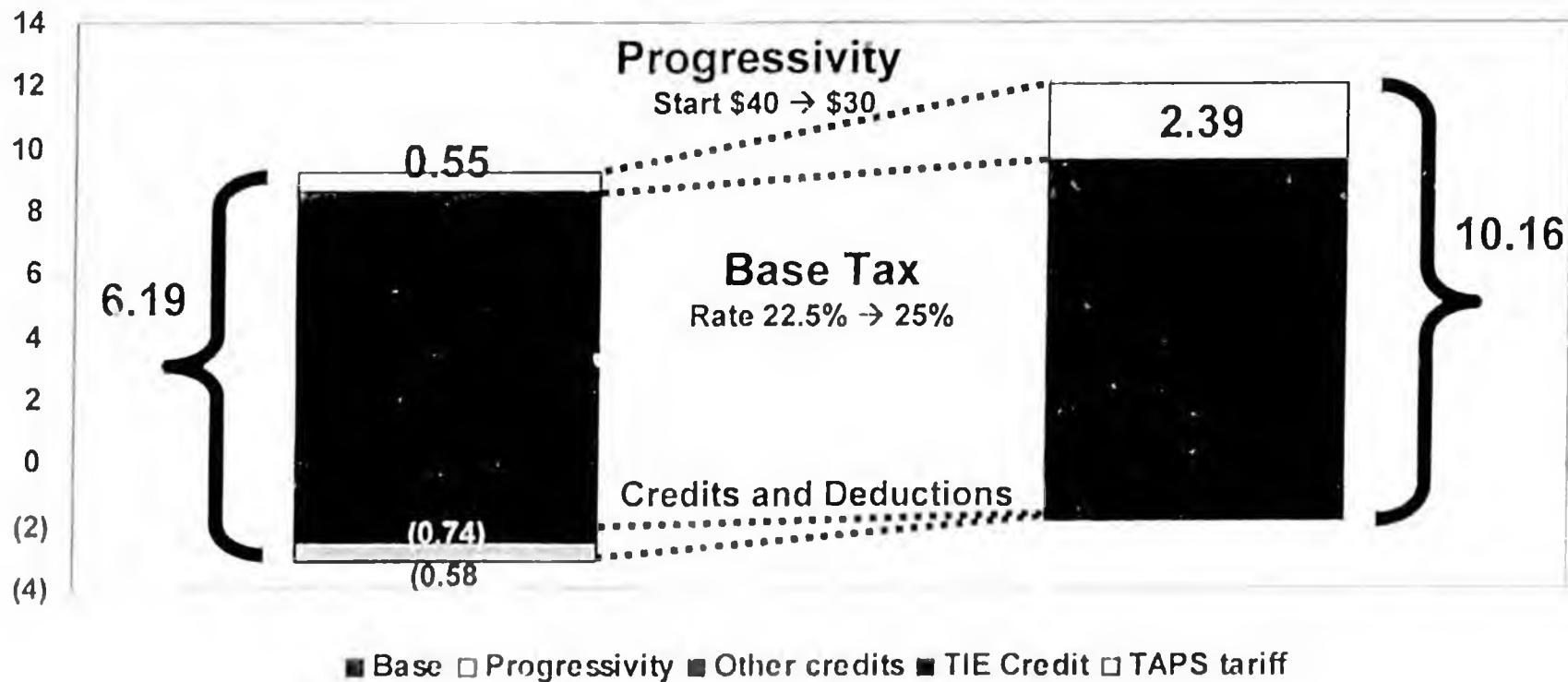
Assumes 749,000 Bopd at official forecast \$66.30/bbl ANS West Coast

FY 2009

Key Changes Within Senate CS



Production Tax and TAPS Tariff Impacts



Assumes 740,000 Bopd at official forecast \$66.30/bbl ANS West Coast